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Volume II



EXPLANATORY NOTES

for

DEPARTMENT OF AGRICULTURE

Fiscal Year

1956

C O N T E N T S

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on November 2, 1953 under the authority of Section 161 Revised Statutes (5 U.S.C. 22), Reorganization Plan No. 2 of 1953, and other authorities. The Service is organized to aid in advancing the orderly and efficient marketing and the effective distribution of products from the Nation's farms. The marketing and distribution of functions of the Department are centered in this Service. The Administrator of the Service is also responsible for the coordination of all statistical work of the Department.

The Agricultural Marketing Service carries on the following principal programs:

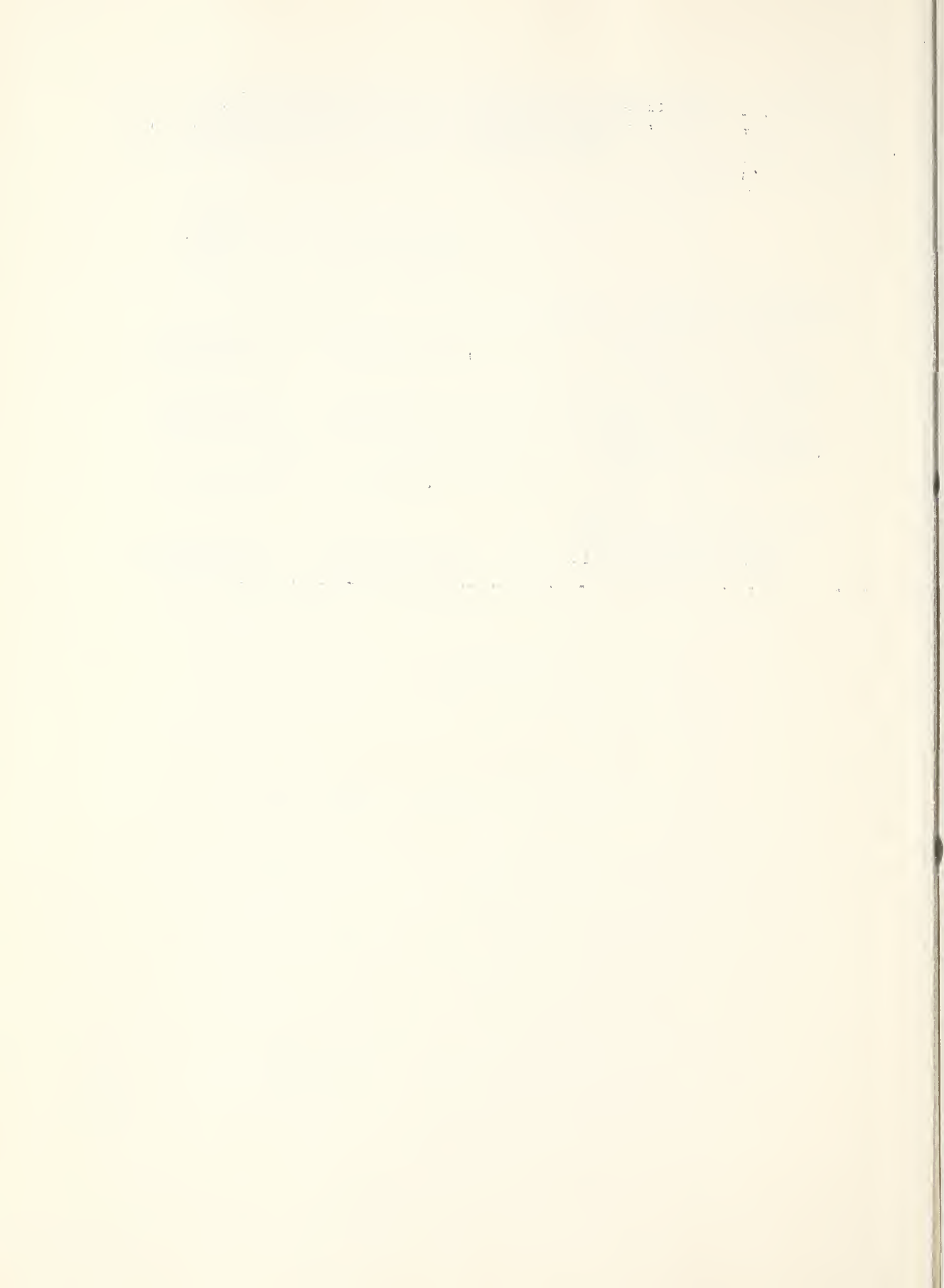
- (1) Research and Agricultural Estimates. These functions include
 - (a) marketing research directed toward the development of practical answers to problems encountered in moving agricultural products from the farm-gate through retail stores, including expanded outlets for new and established products, reduced costs, improved product quality, and improved market equipment and facilities;
 - (b) analyses of the economic situation and outlook for farm products, including factors affecting price, supply, and consumption; and statistical studies on farm population, costs, prices and income in their relation to agriculture including causes for variations and trends;
 - (c) crop and livestock estimates including acreages, yields, production, stocks, values and utilization of farm crops; numbers, production, value and utilization of livestock and livestock products and such related data on prices received and paid by farmers.
- (2) Marketing Services. These activities contribute to the efficient and orderly marketing of agricultural commodities through
 - (a) the Market News Service which provides timely and reliable market reports on all major agricultural commodities to help farmers determine when and where and at what price to sell their products.
 - (b) Inspection, classing, grading and standardization services to develop standards of quality for agricultural commodities and to use them in providing an impartial inspection, classing, and grading service.

- (c) Freight rate service to assist in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
 - (d) Regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices.
- (3) Payments to States. The Service administers the matched fund program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.
- (4) School Lunch Program. Federal assistance is provided to States and Territories for use in serving nutritious midday meals to children attending schools of high school grades or under in order to improve the health and well-being of the Nation's children, and broaden the market for agricultural food commodities.
- (5) Removal of Surplus Agricultural Commodities and Marketing Agreements and Orders. These activities directly or indirectly tend to maintain prices received by farmers and establish and maintain orderly marketing conditions through
- (a) removing from the market surplus agricultural commodities by purchase and donation to eligible recipients and by export and diversion payments;
 - (b) administration of marketing agreements and orders;
 - (c) cooperation with the food trade and others to encourage greater consumption of abundant foods.
- (6) Work Performed for Others. The Agricultural Marketing Service has also been delegated authority for, or is called upon, to perform other services for Federal, State and private agencies, on a reimbursable or advance payment basis. These include among others the special school milk program, administration of Section 708 of Title VII of the National Wool Act of 1954, and distribution of donations of CCC price-support commodities.

The Agricultural Marketing Service maintains its central office in Washington, D. C., but a large part of the program activity is carried on through State offices on agricultural estimates and functional field branch offices of the several Washington commodity and functional divisions located in over 225 cities and towns in the United States, Hawaii and Puerto Rico.

On November 30, 1954 (excluding the offices of the Milk Marketing Administrators) there were approximately 6,300 full-time employees, distributed about 1,500 in the departmental service and the remainder in the field. In addition there were nearly 800 part-time and intermittent employees in the field.

	<u>Appropriated, 1955</u>	<u>Budget Estimates, 1956</u>
Appropriated funds:		
Marketing research and agricultural estimates	\$10,223,000	10,981,000
Marketing services	11,575,500	11,415,000
Payments to States, Territories and Possessions	900,000	1,000,000
School Lunch Program	83,236,197	68,000,000
Repayment to Commodity Credit Corporation	<u>441,655</u>	<u>- -</u>
Total appropriated funds (excluding permanent appropriations)	<u>106,376,352</u>	<u>91,396,000</u>



Summary of Appropriations, 1955 and Estimates 1956

Appropriation Item	Appropriated, 1955	Budget Estimates, 1956	Increase (+) or Decrease (-)
Marketing research and service:			
Marketing research and			
agricultural estimates	\$10,223,000:	\$10,981,000:	+\$758,000
Marketing services	11,575,500:	11,415,000:	-160,500
Payments to States, Territories			
and Possessions	900,000:	1,000,000:	+100,000
School lunch program	83,236,197:	68,000,000:	-15,236,197
Repayment to Commodity Credit			
Corporation	441,655:	- -	-441,655
Perishable Agricultural Commodi-			
ties Act Fund (permanent a/) .	390,000:	390,000:	- -
Removal of Surplus Agricultural			
Commodities (30% of customs			
receipts - permanent b/)	180,091,952:	168,000,000:	-12,091,952
Total	286,858,304:	259,786,000:	-27,072,304
Deduct permanent appropriations			
(shown in detail above)	180,481,952:	168,390,000:	-12,091,952
Total (excluding permanent			
appropriations)	106,376,352:	91,396,000:	-14,980,352

a/ In addition, unobligated balance of \$335,013 available in fiscal year 1955, and estimated balance of \$315,013 available in 1956.

b/ In addition, unobligated balance of \$268,768,343 available in fiscal year 1955, and estimated balance of \$300,000,000 available in 1956.

Transfer in 1956 Estimates

The 1956 Budget proposes a transfer in the estimates of \$12,000 from "Research and Development, Army" to "Marketing Research and Service, Agricultural Marketing Service" for research directed toward prevention of insect infestation of fibers, fabrics, and subsistence items.

The conduct of research directed toward maintaining product quality and reducing losses from insect infestation is of benefit to civilian as well as military personnel and is considered to be a basic responsibility of the Department of Agriculture. For a number of years the Department of Army has provided funds for the conduct of special projects in this field relating to their activities. As a part of the continuing effort to simplify financing of Government activities, the Departments of Army and Agriculture have mutually agreed to this transfer.

(a) Marketing Research and Service

	<u>Marketing Research & Agricultural Estimates</u>	<u>Marketing Services</u>	<u>Total</u>
Appropriation Act, 1955	\$10,215,000	\$11,575,500	\$21,790,500
Activities transferred in the 1956 Estimates to "Salaries and Expenses, Office of Information, Agriculture" for news-type photographic services	-4,000	--	-4,000
Activities transferred in the 1956 Estimates from "Research and Development, Army" for investigations on insect infestations of fibers, fabrics, and subsistence items	12,000	--	12,000
Base for 1956	10,223,000	11,575,500	21,798,500
Budget Estimate, 1956	10,981,000	11,415,000	22,396,000
Increase or decrease	<u>758,000</u>	<u>-160,500</u>	<u>597,500</u>

SUMMARY OF INCREASES AND DECREASES, 1956

Marketing research and agricultural estimates:

For additional marketing research	358,000
For revision and improvement of farmer expenditure estimates used in calculating the parity index	285,000
For accelerating the work of improving the accuracy of crop and livestock estimating methods	115,000
Subtotal	<u>758,000</u>

Marketing services:

To strengthen and improve the market news service	125,000
Decrease in permissive inspection and grading of fresh fruits and vegetables and poultry and eggs, to be offset by increas- ing fees to place the work on a completely self-supporting basis	-320,000
For strengthening the supervision of Federally-licensed warehouses	34,500
Subtotal	<u>-160,500</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
1. Marketing research and agricultural estimates				
a. Marketing research:				
(1) Market development	\$402,306	\$699,000	/\$135,000	\$834,000
(2) Market organization and costs	1,365,119	1,570,600	/\$83,000	1,653,600
(3) Improving and evaluating product quality	1,221,900	1,628,600	/\$75,000	1,703,600
(4) Market transportation and facilities	894,928	1,213,000	/\$65,000	1,278,000
Total, Marketing research	3,884,253	5,111,200	/\$358,000(1)	5,469,200
b. Economic and statistical analysis:				
(1) Price, supply and consumption	575,502	627,000	--	627,000
(2) Farm income	111,036	221,000	/\$285,000	506,000
(3) Farm population ..	176,312	176,200	--	176,200
Total, economic and statistical analysis	862,850	1,024,200	/\$285,000(2)	1,309,200
c. Crop and livestock estimates:				
(1) Field crop estimates and reports ..	1,139,084	1,291,400	/\$52,000	1,343,400
(2) Fruit, nut, and vegetable estimates and reports	583,617	639,600	/\$8,000	647,600
(3) Livestock and poultry estimates and reports	769,765	935,600	/\$19,000	954,600
(4) Dairy estimates and reports	418,454	439,100	/\$7,000	446,100
(5) Agricultural price estimates and reports	635,341	638,700	/\$25,000	663,700
(6) Farm surveys and employment estimates and reports	74,313	81,400	/\$4,000	85,400
(7) Cold storage reports	57,022	61,800	--	61,800
Total, Crop and livestock estimates	3,677,596	4,087,600	/\$115,000(3)	4,202,600
Total, Marketing research and agricultural estimates	8,424,699	10,223,000	/\$758,000	10,981,000

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Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
2. Marketing Services				
a. Market news service:				
(1) Cotton and cottonseed	379,237	359,000	--	359,000
(2) Dairy and poultry products	600,766	651,000	/16,800	667,800
(3) Fruits and vegetables	970,901	1,007,000	/72,500	1,079,500
(4) Grain, hay, feed, etc.	155,091	162,000	/21,200	183,200
(5) Leased wire service	259,369	277,700	/9,500	287,200
(6) Livestock, meats and wool	842,386	872,300	/5,000	877,300
(7) Naval stores	21,211	21,000	--	21,000
(8) Tobacco	170,333	178,000	--	178,000
Total, Market news service	3,399,294	3,528,000	/125,000(4)	3,653,000
b. Inspection, grading and classing and standardization:				
(1) Cotton and cottonseed	2,083,967	2,271,000	--	2,271,000
(2) Dairy and poultry products	208,927	196,500	-100,000	96,500
(3) Fruit and vegetables	601,858	541,500	-220,000	321,500
(4) Grain (including Grain Standards Act) ..	1,454,299	1,543,200	--	1,543,200
(5) Livestock, meats and wool	126,310	111,700	--	111,700
(6) Naval stores	34,013	35,400	--	35,400
(7) Rice, hay, beans, etc.	120,088	55,900	--	55,900
(8) Tobacco	1,593,924	1,566,800	--	1,566,800
Total, Inspection, grading, classing and standardization:	6,223,386	6,322,000	-320,000(5)	6,002,000
c. Freight rate services	155,074	161,000	--	161,000

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Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
d. <u>Regulatory activities:</u>				
(1) Federal seed act	253,569	237,000	--	237,000
(2) Naval stores and tobacco export permits	8,120	8,600	--	8,600
(3) Packers and Stockyards Act	650,604	620,000	--	620,000
(4) Standard Container Acts	10,481	10,500	--	10,500
(5) Warehouse Act	637,902	638,400	434,500	672,900
Total, Regulatory activities	1,560,676	1,514,500	434,500(6)	1,549,000
e. Administration and coordination of State payments	28,529	50,000	--	50,000
Total, Marketing services	11,366,959	11,575,500	-160,500	11,415,000
Total available or estimate	19,791,658	21,798,500	1597,500	22,396,000
Transfers in 1956 estimates from "Research and Development, Army"	-11,863	-12,000		
Transfers in 1955 estimates from:				
"Agricultural Marketing Act, Agriculture"	-3,385,015	--		
"Salaries and Expenses, Bureau of Agricultural Economics"	-4,333,524	--		
"Salaries and Expenses, Bureau of Entomology and Plant Quarantine, Agricultural Research Administration"	-158,066	--		
"Salaries and Expenses, Bureau of Plant Industry, Soils, and Agricultural Engineering, Agricultural Research Administration"	-454,829	--		

(Continued on next page)

Project	1954	1955 (estimated)
"Salaries and Expenses, Marketing Services, Production and Market- ing Administration ...	-11,452,521	--
Transfer in 1956 estimates to:		
"Salaries and Expenses, Office of Information, Agriculture"	4,160	4,000
Total appropriation or estimate	--	21,790,500

INCREASES AND DECREASES

An increase of \$758,000 under the subappropriation "Marketing Research and Agricultural Estimates", composed of:

(1) Increase of \$358,000 under the project "Marketing Research" for additional marketing research directed toward development of new markets for agricultural products, improvement of product quality and improvement in marketing efficiency and organization.

Need for Increase and Plan of Work: A major objective of the Agricultural Marketing Service is to conduct research directed toward the development of practical answers to problems encountered in moving agricultural products from the farm-gate through retail stores. Under conditions of declining farm prices and rising costs there is added need and demand for marketing research to obtain improved efficiency in the marketing system and to improve product quality. Reliable research results which can serve as the basis for more intelligent decisions regarding the assembly, storage, processing and distribution of farm products are urgently required. There is a need for public agencies to conduct much of the required research so that results upon which to base improvements in marketing efficiency, methods for protection and maintenance of product quality, and opportunities for market development and expansion can be made available to the public generally.

(a) Increase of \$135,000 under the activity "Market development" for development of new or expanded domestic markets, particularly for commodities in surplus supply. New and expanded research directed toward new market outlets, particularly for commodities in abundant supply should be initiated promptly. Market testing and evaluation of new products, experimentation leading toward improved merchandising methods to increase sales of farm products in abundant supply, and consumer surveys should be initiated or expanded to aid processors and distributors in enlarging their markets. The expanded market development program

would include (a) consumer and industrial preferences for wool; (b) a study of retail merchandising practices as they relate to citrus and other fruits and vegetables; (c) household and industrial preferences for and uses of nuts; and (d) if possible within the funds requested, one project selected from among the following: new possibilities for vegetable oils and their derivatives; new or expanded outlets for lard, tallow and grease; utilization of dairy products in bakery goods; consumer preference for lamb; and appraisal of market possibilities for new products under development or developed by Regional laboratories.

(b) Increase of \$83,000 under the activity "Market organization and costs" to determine methods of reducing marketing costs through greater economies and efficiencies in market organization, practices and policies. A continued demand exists for additional reliable data as to where and how rising market charges are more than offsetting declining farm prices. To provide the data required to meet this demand, there should be an expansion of work on measurement of costs and margins and improvement of operating efficiency, analysis of market organization, practices and policies and their impact on marketing costs and charges and the sale and use of farm products, and the improvement of marketing information and statistics that will assist farmers, marketing agencies and consumers. Specific studies would include (a) comparative operating efficiency and costs for small and medium size feed mills; (b) analysis of data on qualities and quantities of cotton being used in various end-products to complete product coverage and provide estimates of over-all domestic mill requirements; and (c) methods for measuring efficiency in food locker plants.

(c) Increase of \$75,000 under the activity "Improving and evaluating product quality" to develop methods of protecting the nutritive value and other desirable qualities of farm products and preventing waste and spoilage in marketing channels. Losses from insect infestation in stored raw food products, and the improvement, maintenance, identification and measurement of product quality are most pressing problems in the field of biological research. Control and preventive methods need to be developed to reduce needless losses resulting from insect infestation in stored agricultural products. There is a continuing need to test and perfect alternative methods for handling perishable foods to reduce costs incurred from waste and spoilage. At the present time, the quality of many farm products is measured by extensive reliance upon subjective methods such as personal judgment. Since prices for agricultural products are strongly affected by quality, the development of objective scientific methods for quality measurement is important to all phases of marketing. The proposed increase would provide for expansion of work in these problem areas. Research on control and eradication of insects attacking stored grains in marketing channels, such as the Khapra beetle which was recently discovered in this country, would receive increased emphasis. Other urgent work which would be initiated or expanded would relate to (a) control of moisture in stored products by means of infrared and dielectric drying; (b) sampling, viability, and germination studies for seeds entering commercial storage and distribution; and (c) sorting of vegetables by mechanical means.

(d) Increase of \$65,000 under the activity "Market transportation and facilities" for development of improved work methods, equipment, plant lay-out and facilities. There has been an increase in demand for technical assistance and guidance to enable market operators to make adjustments within the marketing system in response to technological advances, and to changes in market outlets and consumer habits and customs. To provide for this demand physical research should be expanded on the development of improved work methods, equipment, plant lay-out and facilities for assembling, conditioning, handling, storing, processing, packaging and distributing agricultural products. The proposed increase would provide for increased emphasis on (a) the development of improved shipping containers for frozen turkeys; (b) transit refrigeration of perishable foods; (c) costs and other economic aspects involved in bulk tank procurement of milk; (d) development of improved facilities and equipment for handling potatoes; and (e) facilities and equipment for storing grain.

Wherever practicable, the work would be conducted with the active co-operation and support of the Land Grant Colleges and under contract and other cooperative arrangements with qualified public and private organizations and institutions.

(2) Increase of \$285,000 under the project "Economic and Statistical Analysis" for revision and improvement of farmers' expenditure estimates.

Need for Increase: There is an urgent need for up-to-date information on farmers' expenditures to provide a check on the accuracy of expenditure weights used in calculating the parity index. It is important that this index be as accurate as possible inasmuch as it is required by legislation to be used in the establishment of price support programs which directly affect farmers. The weighting pattern for practically every other major government index has been revised since World War II and agriculture's basic expenditure data, which currently relate to 1937-41 pre World War II spending patterns, are subject to an increasing amount of criticism, both from statisticians and farmer representatives. Revised data are also badly needed as a base for revising and improving farm expenditures and net farm income estimates by States and for the nation as a whole. The revised expenditure data is also needed for use in connection with the production economics work of the Department.

Plan of Work: Comprehensive surveys would be conducted simultaneously in some 300 counties to obtain data relating to farmers' production expenditures and farm family living expenditures from about 10,000 farm families. The data obtained through these surveys would be tabulated and analyzed to determine what revisions would be required in the weighting pattern for calculating the parity index and for improving estimates of production expenses. \$185,000 of the proposed increase, which represents primarily the cost of collecting the data, would be nonrecurring.

(3) Increase of \$115,000 under the project "Crop and Livestock Estimates" for expanding work on methodology studies to develop new and modernized sampling techniques and improved crop and livestock estimating methods.

Need for Increase: The expanded program to explore and develop improvements in crop estimating methods was started in fiscal year 1954 with emphasis directed toward one or two of the most critical fields demanding attention. A program for progressive improvement in sampling, estimating, and forecasting methods which could ultimately be extended over the United States has been developed on the basis of recommendations of a panel of consultants, consisting of six prominent statisticians and agricultural economists from outside the Service. Each stage of the program is designed specifically to gear into the frame-work of the regular work so that useful findings and results developed in the pilot surveys and studies may be quickly introduced into the regular estimating program. Considerable progress has been made on the several pilot studies initially undertaken to improve sampling procedures and methods of making objective plant counts. At the outset, the work has necessarily been limited to only a few major commodities and to essentially only one section of the country - the 10 Southern States. The program, to attain maximum effectiveness, should be expanded to increase the number of farms sampled, and to extend the surveys to additional sections of the country, so that more crop and livestock items may be estimated with required accuracy. More crops should be included under the objective measurement program and the measurements taken more frequently during the growing season. Cooperative studies on crop forecasting and sample survey methods should be expanded, and enumeration methods for the collection of data on prices paid by farmers should be studied for general application.

Plan of Work: The pilot study on improved sampling procedures and objective plant counts and measurements, presently conducted in 10 Southern States, would be extended to the North Central States, (Corn Belt). In cooperation with statistical laboratories at two State Colleges, studies concerned with verification of reported acreage and production data, objective pre-harvest determinations of yield from small samples, and the relationship of the development of plants to final yields would be expanded with the purpose of finding the reasons for observed discrepancies between reported yields and yields derived from small samples, and for discrepancies that have been found in the results from small objective samples taken at different dates. Steps would also be taken to initiate tests of the most practicable application of enumeration methods for the collection of data on prices paid by farmers to synchronize with the established mail surveys.

(4) A net decrease of \$160,500 under the subappropriation "Marketing Services," composed of: An increase of \$125,000 under the project "Market News Service" for strengthening the service now provided by (a) extending coverage of fruit and vegetable truck receipts reports; (b) initiating service at 7 locations on a Federal-State cooperative basis; and (c) improving the over-all market news service and facilities.

Need for Increase: An increase is needed to put into effect a number of the items included in the Program for Development of the Market News Service which was approved by both Congressional Appropriations Committees in 1951. The need for each of the services requested under the Program has been apparent for several years and in certain instances the situation has become acute. Methods of marketing agricultural commodities continue to change. Larger volumes of fruits and vegetables are being shipped by truck; increasing quantities of dairy and poultry products are being sold in producing areas rather than at terminal markets; auction marketing of livestock is more widespread. The present Market News facilities are inadequate to meet these changing conditions. The increase requested in 1956 includes only the Federal share of the cost for each item in accordance with the approved financing plan. State and local funds amounting to about \$28,600 are expected to be made available to help finance the additional activities. The need and plan of work, by major categories are outlined below.

(a) To extend market news coverage of fruit and vegetable truck receipts.

Need for Increase: The truck receipts data on fruits and vegetables now reported in 20 of the larger terminal markets represent about 40 percent of all truck receipts. This type of information is becoming more and more necessary as movement of these commodities by truck becomes more widespread. Complete rail and boat movement information is now available. However, at the present time about 55 percent of the total commercial movement of fresh fruits and vegetables travels by truck. More complete coverage of such movement is vital to producers, shippers and receivers because the day-to-day quantity of these perishable products on hand in or enroute to markets determines, to a large extent, the price structure and marketing plans of the industry.

Plan of Work: Truck receipts data would be compiled in additional terminal markets such as Minneapolis-St. Paul, Minnesota, Birmingham, Alabama, and Portland, Oregon. Also, collection of truck receipts data would be expanded and improved in terminal markets such as Boston, Mass., Cleveland, Ohio, and St. Louis, Missouri. This would then result in coverage of about 50 percent of all truck receipts and would give better geographical dispersion and coverage of truck receipts data.

(b) To initiate service at 7 locations on a Federal-State basis as follows: Data on Potatoes and Other Vegetables Needed in 3 Important Producing Areas. The Red River Valley of Minnesota-North Dakota is the third largest potato shipping area in the country---exceeded only by Maine and Idaho. Annual shipments range from 25,000 to 30,000 carlots to markets throughout the central and southern sections of the United States.

A service is needed on vegetables during the important shipping period in the producing area concentrated along the Oregon-Idaho border. Approximately 15,000 carlots of produce are shipped annually consisting

mainly of onions and potatoes. Since a large percentage of this production is sold in distant markets, a close check is needed on current market conditions and prices.

No reporting service is now available for either of these areas.

The potato producing area on the Oregon-California boundary has become increasingly important. Approximately 14,250 carlots of potatoes are shipped annually from this area to Pacific Coast markets. The closest reporting service now provided is from Portland and San Francisco. Establishment of service at a nearby point would help growers and shippers maintain close contact with conditions and prices in their marketing area and would assist them in better distribution of their crop.

Plan of Work: Market news service would be provided through seasonal offices at Grand Forks, North Dakota; Payette, Idaho; and Klamath Falls, Oregon, during the heavy producing periods in each of the three areas. States would match Federal funds in financing these services.

Rice Reporting Service needed in Area of Production. Data on prices, marketings and movement of rice produced in Arkansas, Louisiana, Mississippi and Texas are urgently needed. These 4 States produced 82 percent of the 58.5 million cwt. of rice produced in 1954. Some data on rice are now compiled and distributed in the Washington Office but no rice reporting service is available in this important producing area.

Plan of Work: A service would be established at New Orleans, La., in the area of production. The reporter at this office would coordinate the work of the 4 States and collect data on prices, marketings, stocks, etc., either by telephone or in person, from mills, producers, warehousemen, brokers and others. The data would be analyzed and compiled and periodic reports issued at intervals and in the form most usable by recipients. The States of Arkansas, Louisiana, and Texas would pay a portion of the cost of this service.

Data Needed on Dairy and Poultry Products in Producing Areas. Federal participation in a poultry service is needed in Florida covering the Jacksonville market and the major egg and poultry producing areas, particularly in the sections of the State bordering Georgia and South Carolina. The Florida Bureau of Markets operates a market news service but recognizes serious inadequacies in it, and has expressed a desire to cooperate with the Federal service. Florida is a deficit producing State with considerably over 50 percent of the poultry and poultry products consumed in the State produced outside the State. Florida market information should be readily available to those interested in shipping products into the State. Likewise, Market News information originating outside the State should be disseminated in Florida.

The present experimental service on poultry and eggs in Nebraska needs to be put on a permanent basis. The reports are now being provided on a pilot basis under a matched fund project which will terminate at the close of 1955. Latest figures available (1953) indicate the annual gross income to Nebraska producers was approximately 55 million dollars on eggs, 14½ million dollars on poultry (other than turkeys) and 5½ million dollars on turkeys. State-wide market news service is considered essential since it would provide a basis for producers and dealers throughout the State to trade more intelligently and make producers more conscious of advantages in selling a higher quality product. This is particularly significant in view of the recent trend of buyers of better quality graded eggs in such terminal markets as Omaha, Denver, and others located in the Southwestern States to buy more graded eggs at Nebraska points. This is in contrast to previous years when the primary outlets for eggs were buyers such as breakers, who purchase eggs principally for freezing purposes and are primarily interested in "current receipts" and undergrade eggs.

Plan of Work: Data would be collected from headquarters at Lincoln, Nebraska and Jacksonville, Fla., showing supplies, movement, prices and other pertinent data in the two areas involved. The States of Nebraska and Florida would match the Federal funds in paying the cost of these services.

Livestock Reporting Required at Lancaster, Pa. Lancaster, Pa. now ranks 16th and 21st in salable receipts for cattle and calves, respectively. This is a deficit livestock producing area. To supplement local production and to fill the needs of the communities in this area, stocker and feeder cattle are shipped from southeastern and midwestern States. Local marketing agencies need accurate and timely information from important markets in the general area for use in bargaining with local buyers. Producers need data on the local markets for comparison with reports from other markets in the area where they might sell to use as a basis for decisions as to where and when to market their livestock.

Plan of Work: An office would be established at Lancaster, Pennsylvania. The reporter would prepare early morning estimates of salable receipts on the local market and release the data over the leased wire. He would make available on bulletin boards and to local disseminating agencies data reported over the leased wire from other markets. He would also observe trading on the local market and prepare reports of trade conditions, price trends and price quotations for local dissemination through press and radio. The State of Pennsylvania would participate in financing the total cost of the service.

(c) To improve and strengthen market news service and facilities.

Need for Increase: A substantial portion of the market news service is provided from one-man offices located at strategic points throughout the country. These offices must have relief reporters when regular

employees are on vacation or are ill. Also, trained personnel must be immediately available in case a reporter resigns or retires. The need for relief and for immediate replacement of employees arises from the fact that this is a daily service and must be provided on time if it is to serve the purpose for which it is intended. Relief has frequently been furnished by employees of cooperating States but this is not feasible as a permanent arrangement.

The timeliness of market reports is a major factor in their value to users. The leased wire teletype system makes possible the maximum speed in transmitting the data. Complaints have been received from users of the service in the Western portion of the country that information is being received too late in the day for their purposes. This is due to the heavy volume of data passing over the circuit between Kansas City and San Francisco.

Certain market news data must be analyzed in the Washington office before release. This analytical work needs to be strengthened in order that essential information gathered throughout the nationwide market news system on agricultural commodities may be put in useable form and made available to the public.

Plan of Work: Reporters would be trained at strategic points where the volume of work is increasing, such as Boston, Mass. These reporters would then be available for temporary assignment wherever needed for relief work.

A supplemental leased wire service would be provided between Kansas City and San Francisco for 3 hours each day which would alleviate the critical situation which now exists and result in more adequate and more timely service. The additional personnel in the Washington office would compile and analyze the data and make them available in the most useable form to the users of the service.

(5) A decrease of \$320,000 under the project "Inspection, Grading and Classing, and Standardization" in permissive inspection and grading of fresh fruits and vegetables, and poultry and egg products. The recommended reduction of \$320,000 in this item applies to the inspection and grading of fresh fruits and vegetables and poultry products. Of the total reduction, \$100,000 would be applied to poultry and egg products, and \$220,000 to fresh fruits and vegetables. The decrease proposed will be offset by increases in the fee rates to make these services completely self-supporting.

At the present time these services are the only major permissive services not financed entirely from fees. The inspection and grading work is performed under the authority of the Agricultural Marketing Act of 1946 which authorizes the assessment and collection of such fees as will be reasonable and as nearly as may be to cover the cost of the services rendered.

The permissive services are financed primarily under trust fund arrangements. The amount of revenue for permissive inspection and grading has been

increasing over the years. In 1954 only \$550,678 of appropriated funds were used in financing the program of inspection and grading which cost \$12,655,524. The remaining \$12,149,516 or 96 percent was covered by revenue. In 1955, appropriated funds totalling \$346,100 are estimated to be utilized in this service, and \$12,172,600 is the estimated revenue, making the service nearly 97 percent self-supporting.

With the elimination of appropriated funds for inspection and grading of fresh fruits and vegetables and of poultry products all major permissive inspection services will be completely sustained by revenues. Only work on naval stores will not be on a completely self-supporting basis in 1956. It is not considered feasible at this time to eliminate the appropriation for this item since it is believed that an increase in rates would reduce the number of inspections so much that the effectiveness of the inspection and grading program under the Naval Stores Act would be seriously impaired.

The following table shows by commodity group the estimated cost and source of funds for permissive inspection and grading for fiscal years 1955 and 1956.

Commodity or Commodity Group	Total Cost	Paid From:		Percent Covered by Revenue
		Revenue Earned	Appropri- ation	
<u>Fiscal Year 1955:</u>				
Cottonseed	\$37,275	\$37,275	-	100.0
Dairy and poultry products	5,000,775	4,900,775	a/ 100,000	98.0
Fruits and vegetables	3,595,330	3,375,330	b/ 220,000	93.9
Livestock, meats and wool	3,181,195	3,181,195	-	100.0
Naval stores	45,270	19,170	26,100	42.3
Rice, hay, beans, etc.	658,855	658,855	-	100.0
Total, 1955	12,518,700	12,172,600	346,100	96.8
<u>Fiscal Year 1956:</u>				
Cottonseed	37,275	37,275	-	100.0
Dairy and poultry products	5,000,775	5,000,775	-	100.0
Fruits and vegetables	3,566,330	3,566,330	-	100.0
Livestock, meats and wool	3,181,195	3,181,195	-	100.0
Naval stores	45,270	19,170	26,100	42.3
Rice, hay, beans, etc.	658,855	658,855	-	100.0
Total, 1956	12,489,700	12,463,600	26,100	99.8

a/ For inspection and grading of poultry products only.

b/ For inspection and grading of fresh fruits and vegetables only.

(6) An increase of \$34,500 under the project "Regulatory Activities" to strengthen Federal supervision of licensed warehouses.

Need for Increase: Licensed Capacities Increased and Personnel Reduced.

The number of licensed warehouses and the capacity of such facilities have been increasing steadily over the past 10 years. In 1944 a total of 1,325 licenses were in effect. In 1954 there were 1,500 licensed warehouses. Over 95 percent of these warehouses (1,434) store grain and cotton.

The capacity of licensed cotton warehouses has increased about 11% from approximately 10,650,000 bales in 1944 to about 11,800,000 bales in November of 1954. In the case of grain, licensed capacity has increased approximately 135% from about 260 million bushels to about 611 million bushels during this period. During the same period the number of warehouse examiners has been substantially reduced due principally to increased operating costs. With this reduced staff and the increasing number and capacity of licensed warehouses, the frequency of periodic examination has been steadily decreasing. Prior to World War II an average of 4 examinations was made annually. This had declined to 2.4 by 1953 and less than 2.0 in 1954. With the present high rate of occupancy in licensed warehouses, it is expected that an average of less than 1.5 examinations per warehouse will be possible in fiscal year 1955.

Need For Warehouse Examinations. Periodic examinations of Federally-licensed warehouses is a prime factor in creating a sound warehouse receipt. Based on present values and capacities, Federally-licensed warehousemen store and handle cotton and grain, a large portion of which is Federally-owned, valued in excess of 3 billion dollars annually. Reasonably frequent unannounced examinations are the only sound means of assuring the maintenance of adequate stocks to support outstanding warehouse receipts and otherwise afford depositors the protection intended by the Act. This program has developed an enviable reputation in financial circles over the years. There is real danger that this reputation will be impaired unless the declining trend in examinations is reversed. In fact, bankers as well as warehousemen are already expressing dissatisfaction and serious concern over this decline.

In addition to the problems created by an insufficient staff of examiners to maintain an adequate examination schedule, an increasing number of special investigations are required. These include the investigation of complaints of improper charges by warehousemen, improper weighing and inspection practices, and other possible violations. The present tight storage situation requires increased vigilance in the matter of adherence to published tariff rates, and otherwise guarding against the imposition of unreasonable and exorbitant charges against producers.

Plan of Work: The field supervisory staff would be increased by 4 trainee-examiners headquartered in areas of greatest need, including Portland, Oregon; Wichita, Kansas; and Indianapolis, Indiana. The Washington staff would be increased by one traveling supervisor to assist the field staff on special problems and aid in the maintenance of uniform administration.

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (new language underscored):

For expenses necessary to carry on research and service to improve and develop marketing and distribution relating to agriculture as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, including the administration of marketing regulatory acts connected therewith: Provided, That appropriations hereunder shall be available for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided, the cost of erecting any one building shall not exceed \$7,500 and the cost of altering any one building during the fiscal year shall not exceed \$3,750 or 2 per centum of the cost of the building, whichever is greater: * * * * *

The proposed change in language would provide authority for the erection, alteration, and repair of buildings and improvements as required for the conduct of marketing research and service activities.

The recent reorganization of the Department provided for the transfer to the Agricultural Marketing Service of certain scientific functions, including laboratories, buildings and equipment required for their support. Authority for the erection, alteration and repair of the facilities was previously authorized in the appropriation language of the former Agricultural Research Administration from which the functions were transferred, with limitations which had been in effect for a number of years on the amounts which could be used for erecting or altering any one building.

The proposed change in language would permit the Agricultural Marketing Service to continue to maintain the facilities required for scientific functions, to erect small buildings which are needed from time to time because of program changes, or because existing facilities become worn out or inadequate. It is proposed that a limitation of not to exceed \$7,500 be provided for the cost of erecting any one building, and a limitation of \$3,750 on the cost of altering any one building. These limitations are the same as those provided in 1955 and proposed for 1956 for the Agricultural Research Service.

STATUS OF PROGRAM

The work under this appropriation consists of research and service to improve and develop the marketing and distribution of agricultural commodities. The functions are divided into two subappropriations as follows:

1. Marketing Research and Agricultural Estimates
2. Marketing Services

Each subappropriation is further divided into financial projects. Current activities, progress, and current programs under each project are outlined below.

MARKETING RESEARCH AND AGRICULTURAL ESTIMATES

I. Marketing Research

Current Activities:

Marketing Research provides for the study and investigation of (a) the uses and market acceptance of new and established agricultural products, techniques for analyzing consumer market behavior, market potentials, and methods of merchandising; (b) trade in specific agricultural commodities, including measurements of costs and margins, market organization and practices, and improvement in market information; (c) the biological, physical and economic aspects of measuring, maintaining, and improving product quality; and (d) transportation rates and costs, and marketing facilities, equipment and handling methods.

The research, involving cooperation with other public and private agencies, is designed to benefit all of the major agricultural commodity groups and as many of the other commodities as possible, and to provide research at each stage of marketing, such as in assembly points, terminal or central markets, wholesale and retail markets. The essential objective of the program is to increase the efficiency with which agricultural products are moved from the farm-gate through retail stores. With the achievement of this objective benefits accruing to farmers from increased production and better utilization of farm products will not be dissipated in the distribution system.

Selected Examples of Recent Progress:

1. Market Development

During the year, cooperative work was initiated to obtain periodic reports on household consumer purchases of butter, cheese, and non-fat dry milk solids, for use in evaluating the effect of promotional programs or increasing sales and consumption of dairy products. This study is being continued in fiscal year 1955.

A market survey was initiated on canned frozen grapefruit segments to determine whether the new product can be processed on a larger scale for commercial distribution. The work will be supplemented by a household survey to determine consumer awareness and uses of, and preferences for, the product.

An analysis of the sales and utilization of milk products in a Southern city indicated the importance of an aggressive advertising program in conjunction with changes in merchandising practices and prices to achieve increased sales of fluid milk.

A study concerning household consumers' uses and preferences for fats and oils in cooking has provided useful data on merchandising and promotional programs to expand sales of vegetable shortening, lard, oils, butter and margarine, and on modifying these products to meet market demands.

2. Market Organization and Costs

Marketing information and statistics of major importance to agriculture and the public were published regularly during the year in The Marketing and Transportation Situation, including factors affecting changes in marketing costs and their influence on the division of consumer expenditures between farmers and marketing agencies. The reports indicated that the retail cost of the market basket of farm foods bought by the average city family declined from an annual rate of \$998 in the first half of 1953 to \$992 in the first half of 1954. During this same period, charges for marketing these foods increased from an annual rate of \$548 to \$553, while the amount received by farmers declined.

An analysis of beef marketing margins for the period January 1950, through October 1953, showed that the sharp decline in live cattle prices from September 1952, to October 1953, was due mainly to a higher than usual rate of cattle slaughter rather than wider retail margins. While a rather definite widening of packers' margins occurred during the period, the retail prices generally followed the decline in cattle prices on all grades of beef.

Quality and manufacturing performance tests show definite possibilities for expanding the market for lower grades of cotton by expanding its use in the manufacture of fancy denims, cotton blankets, and tufting yarns. Recent trends in consumption point to further extension of these outlets for cotton.

The first chronological series of cost elements for processing and distributing fresh milk was developed from data obtained from a contract study. The results of the study also show that sampling and testing for butter-fat and non-fat-solids can be improved, thereby contributing to a more exact and less costly verification of the utilization of milk and the tests on which payments to producers are based.

A significant improvement in the coverage, content, and dissemination of marketing information during the year was the development and issuance of a regular feed-price report for Southern poultry and dairy farmers.

3. Improving and Evaluating Product Quality

Shipping tests with California tomatoes verified the schedule of protective services developed from the results of previous tests to provide moderate temperatures that are favorable for ripening and do not cause chilling injury and subsequent decay. As a result, ripening time at the market center has been shortened, decay reduced, and better quality tomatoes retailed. It is estimated that savings of about \$5 million annually will result from use of the recommended time and temperature schedules, based on records of commercial shippers.

A spectrophotometric method was developed for accurately detecting and rejecting both brown and white shell eggs which contain "Green-rot". Both consumer and producer will benefit by the adoption of this method which can identify eggs with poor keeping quality at least 100 percent more accurately than can be done with the 2-1/4 billion dozen eggs that are now hand-candled.

Treatments with DDT have been developed to protect bagged raw wool, scoured wool, woolen cloth, washable woolen and manufactured woolen products, such as rugs, from insect attack. These procedures, adopted by the Army Quartermaster Corps, will save the Corps \$1-1/2 million in handling costs alone, and provide much better protection.

The discovery in California, Arizona and New Mexico of the Khapra beetle, a serious pest of stored grain and cereal products in other parts of the world, has caused great concern to the Western Experiment Stations and the stored-grain and cereal products industry in those areas. During the latter part of the year cooperative studies, seeking adequate control and eradication of the beetle, were inaugurated.

Significant advances were made during the year in research on the protection of edible products from insect damage during marketing. In stored-grain research, protective sprays or dusts gave excellent protection against insect infestation through 15 months of storage; infestations in Michigan and Missouri bean storages were controlled by pyrethrum sprays; and protective sprays and dusts were used in preventing infestations in stored raw raisin stocks.

4. Market Transportation and Facilities

During the year 28 localities were assisted in planning and constructing improved market facilities. New markets were completed or were in various stages of completion at Boston, Mass., Savannah, Ga., Jacksonville, Tex., Jacksonville, Fla., Houston, Tex., Indianapolis, Ind., Louisville, Ky., Nashville, Tenn., Rochester, N. Y., and San Juan, P. R.

Aeration systems were designed for and installed in the ships of the reserve merchant fleet which are being used for emergency storage of surplus grains. Small fans delivering from 1/30 to 1/40 cubic feet of air per minute per bushel were found to be effective in cooling the stored grain from 80° to 45° F and lower. Since facilities for turning the grain are not available at the ships, the use of fans minimizes any losses which might result from heating, molding, and insect infestation.

In the equipment development field, a new "float roll" table for use in sorting fruits into different grades was designed, constructed, and tested in Pacific Northwest apple houses. The table has a built-in mechanism for varying the rate of movement of fruits past the graders and for varying its rate of rotation as it is moved. To eliminate the inspection of some fruits by three or four different graders, the table is divided into lanes and each worker is assigned one row or lane. In tests with this table, the labor required for sorting apples into grades was reduced about 50 percent with no impairment of inspection efficiency.

Net savings of six cents per head, equivalent to \$310 per car, may be obtained in the shipment of cauliflower from California to eastern markets by closer trimming of heads to eliminate waste product, and packing twice as many heads in a container slightly larger than the cauliflower crate now in use.

Studies of the transportation of fresh and frozen meats by refrigerated motor-truck trailer have resulted in recommendations for the use of canvas air ducts and adequate provision for the circulation of refrigerated air around and under the load. Also, recommendations relating to type of equipment and refrigeration methods to obtain the best refrigeration at lease cost were developed as a result of a series of tests on transporting meat products in railroad refrigerator cars.

II. Economic and Statistical Analysis

Current Activities:

This project covers the gathering, analysis and interpretation of information on agriculture as a whole and for specific items, including many statistical series relating to farm income, prices, population and labor, and agricultural situation reports for important crop and livestock products.

Selected Examples of Recent Progress:

1. Situation and Outlook Reports

The economic and statistical analysis work took on added significance during the past year. Against a background of generally lower prices and income received by farmers, and a tighter price squeeze in agriculture than in recent years, timely facts and analyses from which farmers could make sound decisions in developing production and marketing plans were much in demand. During the year, 90 situation and outlook reports were issued for distribution to State Extension workers who deal directly with farmers, and to business organizations and government officials concerned with agriculture.

2. The Demand and Price Situation

The demand for farm products continued high during 1954 with consumer incomes at record rates and some increase in exports over the prior year. Prices received by farmers during 1954 averaged around 3 per cent below a year earlier, with the parity ratio averaging 89, compared with 92 in 1953. (Table 1).

Table 1: Indexes of prices received and paid by farmers,
1954 compared with 1953

Group	1954	1953	Percentage change from 1953
All farm products.....	250	258	-3
All crops.....	244	242	1
Food grains.....	232	231	a/
Feed grains and hay....	206	203	-1
Cotton.....	274	263	2
Tobacco.....	439	429	2
Oil-bearing crops.....	279	274	2
Fruit.....	222	206	8
Potatoes, sweetpota- toes and dry.....			
edible beans.....	180	198	-9
Commercial vegetables.. for fresh market....	228	240	-5
Livestock and prod- ucts.....	257	273	-6
Meat animals.....	295	298	-1
Dairy products.....	252	273	-8
Poultry and eggs....	175	221	-21
Wool.....	298	298	0
Prices paid, interest, taxes and wage.....			
rates.....	281	279	1
Items used in living.. Items used in produc- tion.....	274	270	1
	252	253	b/
Parity ratio.....	89	92	-3

a/ Less than .5 percent increase.

b/ Less than .5 percent decrease.

3. The Farm Income Situation

Farmers' cash receipts from marketings in 1954 may total 30.2 billion dollars, 4 percent below 1953. Realized gross income probably will be 34.1 billion dollars in 1954, also 4 percent less than last year. Total production expenses are estimated at 21.6 billion dollars, down 2 percent from 1953. Farmers' realized net income -- the difference between realized gross income and total production expenses -- is likely to be 12.5 billion dollars, 6 percent below 1953. Present prospects are for farm operators' realized net income in 1955 to approach that of 1954. Cash receipts from marketings and realized gross income may be down slightly, primarily reflecting further acreage restrictions on wheat and cotton and the moderately lower price support level for the 1955 crop of wheat.

4. The National Food Situation

Record food supplies are in prospect for the coming year. Consumer demand for food is expected to continue strong. Per capita consumption of food in 1955 will likely equal that of the current year, only slightly under the 1946 record.

Although the outlook for overall food supplies in 1955 is quite similar to the 1954 food situation, there will probably be some shifting in the makeup of the total food supply. Based on harvests, livestock numbers and other indications, it may be expected that per capita consumption of lard, chicken, eggs, rice, oranges, and frozen fruits and vegetables will increase in 1955. Some reductions in per capita consumption are likely for turkey, canned fruits and vegetables, grapefruit, potatoes, sweetpotatoes, and peanuts. Although there may be small shifts in per capita consumption within such groups of foods as dairy products, meats, and fats and oils other than lard, the per capita rates for total dairy products, meats and fats probably will approximate the rates for 1954.

5. The Commodity Situation Reports

In line with fairly stable demand conditions, the emphasis of the Commodity Situation Reports has been on the impact of large supplies on the farm price structure and the necessity of well-balanced marketing. This was of particular concern in the case of cattle. While marketings of beef cattle continued at record levels during the past year, the disorganized markets of late 1952 and early 1953 have been avoided. Special attention has been centered on the possible unfavorable price effects of increasing hog production too much over the next 6 to 12 months.

In addition to regular activities, commodity specialists and other staff members are participating in a special study of methods of price support and production control for dairy products and a study of various two-price systems that could be applicable to rice. These studies are being conducted as directed by the Congress.

6. The Long-Range Outlook

Although the current agricultural situation is dominated by large stocks and a level of production in excess of immediate requirements, increased attention is being given to the possibility that the long-range requirements for food and other farm products involved in foreseeable population and income growth might outstrip the production potential of the farms. An appraisal is being made of the effect of an increase in population of over 40 million persons by 1975 and of a very substantial increase in per capita "real" income on the demand for farm products. Preliminary results indicate the need for eventual sharp increases in production of most products, especially meat, milk, poultry and eggs, and most fruits and vegetables.

7. Basic Research on Prices and Trade

During the year, substantial progress was made on studies of demand and prices for several commodities. A series of analyses was made dealing with the effect of consumer income, inventories of and orders for textiles, and synthetic fiber consumption on domestic mill consumption of cotton.

Technical bulletins dealing with the supply and demand structure for milk and dairy products are in process. The bulletins will include analyses dealing with the aggregate demand for milk at the retail level, factors that affect prices of dairy products, price and income elasticities of demand for specified dairy products, relationships between retail and farm prices, and the effect of relative prices for dairy products on the utilization pattern of milk at the plant level.

Work on cattle with measuring the success that cattle feeders have in anticipating the price that will prevail for fed cattle six to eight months after feeding is begun, and in determining the factors that cattlemen apparently use in making these forecasts.

A technical bulletin now in process deals with the demand and price structure for wheat, including factors that simultaneously affect prices and the separate domestic demands for wheat for food, feed, storage and export. The bulletin will also include indexes of seasonal variation in prices received by farmers, relationships that permit estimation of average prices received by months, and a statistical analysis indicating that protein content and test weight are the principal quality factors associated with price differentials for wheat at terminal markets. Studies that will result in similar technical bulletins are also underway on tobacco, poultry and eggs, meats and by-product feeds.

8. Research on Consumption of Farm Products

Consumption of agricultural products has become an increasingly important part of the economic and statistical analysis activity. Previously the consumption data and analyses had been largely limited to agricultural food products. During the past year the data were expanded to include the nonfood uses of food products (principally feed) and the nonfood products such as cotton, tobacco and wool, and a newly developed series on vegetable production. Also during the year, the index of per capita food consumption was shifted to a postwar basis.

9. Farm Population

The latest estimate of the farm population shows a further decrease in 1954. At a level of 21.9 million in April 1954, the farm population was 13 percent less than in 1950. During this four-year period, there has been a net reduction in the number of people living on farms of about 3/4 million per year. Decreases have been most pronounced among farm youth and young adults in the age groups that respond most readily to opportunities for nonfarm employment. The average level of living of farm-operator families continued the general upward rise which has existed since the depression of the 1930's. For the United States as a whole the index rose eight percent from 1950 to 1953, with the sharpest increases in the Southern States. Iowa, California, and New Jersey ranked highest in the average level of living of farm-operator families in 1953.

III. Crop and Livestock Estimates

Current Activities:

Basic statistical and economic data relating to food and agriculture are gathered, analyzed and published, including acres, yields, production, stocks, value and utilization of farm crops; numbers, production, value, and utilization of livestock and livestock products; and such related data as prices received and prices paid by farmers. Thousands of farmers, processors, merchants and others serve as volunteer reporters and these reports are supplemented by field observations of the Department's statisticians and other data to provide the many estimates and reports issued for public information. A schedule showing the release dates for the reports issued in calendar year 1954 follows.

Day	January	February	March	April	May	June	July	August	September	October	November	December	Day
1	Holiday	Com'l. Broiler Prod. (Important States); Meat Scraps and Fat	Evap., Condensed & Dried Milk		Saturday	Evap., Condensed & Dried Milk	Disposition of Non-citrus Fruits	Sunday					1
2	Saturday		Molair Production and Income		Sunday	Bouffage Fed to Milk Cows		Number of Milk Cows on Farms, June 1; Meat Scraps and Fat	Mustard Seed	Saturday			2
3	Sunday	Chicks Placed Weekly in Important Broiler Areas; Hatched Estimates, 1955		Saturday			Saturday			Sunday			3
4				Sunday			Sunday		Saturday			Saturday	4
5					Farm Disposition & Sales of Principal Field Crops	Saturday	Independence Day	Production of Shorn Wool; Stocks of 1/4 Field Seeds	Sunday			Sunday	5
6		Saturday	Saturday	Farm Production & Income from Chickens and Eggs		Sunday			Labor Day	Red Clover Seed	Saturday		6
7		Sunday	Sunday		Cotton Revisions			Saturday			Sunday		7
8					Saturday		Cotton; Kentucky Bluegrass Seed	Sunday	Cotton	Cotton	Cotton	Cotton	8
9	Saturday			Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing	Sunday		Crop Production; Farm Labor; Pecan Haricots; Com'l. Vegetables for Fresh Market and Processing; Peanut Revisions	Cotton	Alvico Clover Seed	Saturday			9
10	Sunday	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing; Early Lamb Crop	Saturday	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing; Tobacco Revisions		Saturday	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing	Sunday	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing; Cattle Feeding Situation	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing; Cattle Feeding Situation	10
11	Crop Production; Cabbage Stocks; Com'l. Vegetables for Fresh Market and Processing			Sunday			Sunday		Saturday	Crop Production; Farm Labor; Com'l. Vegetables for Fresh Market and Processing	Arithmetic Day	Saturday	11
12	Sheep and Lambs on Feed; Special Poultry Production (7 States)	Livestock & Poultry on Farms & Ranches; January 1; Milk Production on Farms & Dairy Plant Products	Young Chickens & Potential Layers on Farms			Saturday			Sunday		Lamb Feeding Situation	Sunday	12
13	Farm Labor; Cattle on Feed	Saturday	Saturday		Development of Early Lamb Crop	Sunday				Citrus Fruit Prod. and Disposition; Cattle on Feed; 3 States	Saturday		13
14	Farm Disposition & Sales of Fruit and Nut Crops	Sunday	Sunday	Cattle on Feed	Hatchery; Cold Storage		Cattle on Feed; Hybrid Corn	Saturday	Bromegrass & Wheatgrass Seed	Alfalfa Seed	Sunday		14
15	Hatchery; Turkey Production; Acres & Production of Vegetable Seeds; Cold Storage	Hatchery; Poultry Production by Month; Cold Storage	Monthly Hatchery; Hatchery Revisions; Cold Storage	Hatchery; Farm Production; Disposition & Income from Milk; Cold Storage	Saturday	Hatchery; Cold Storage	Hatchery; Orchardgrass Seed; Cold Storage	Sunday	Hatchery; Sweetclover Seed; Cold Storage	Hatchery; Cold Storage	Hatchery; Cold Storage	Hatchery; Cold Storage	15
16	Saturday	Fluid Milk & Cream	Fluid Milk & Cream	Fluid Milk & Cream; Intended Acreage & Production of Vegetable Seeds	Sunday	Fluid Milk & Cream	Fluid Milk & Cream	Hatchery; Fluid Milk & Cream; Cold Storage	Fluid Milk & Cream	Saturday	Fluid Milk & Cream; Semi-annual Naval Stores	Fluid Milk & Cream	16
17	Sunday		Interstate Movement of Dairy Cattle	Saturday	Fluid Milk & Cream; Semi-annual Naval Stores		Saturday	Cranberries	Naval Stores	Sunday		Annual Summary of Principal Crops; Annual Summary of Com'l. Vegetables for Fresh Market and Processing; Naval Stores; Seasonal Price & Value of Crops	17
18	Fluid Milk & Cream; Naval Stores	Naval Stores	Naval Stores	Sunday	Naval Stores	Naval Stores	Sunday	Bentgrass & Paspalum Seeds; Stocks of Vegetable Seeds; Naval Stores	Saturday	Fluid Milk & Cream; Sudanese Seed; Naval Stores	Lespedeza Seed; Naval Stores	Saturday	18
19	Potato Stocks; Cattle Stocks		Prospective Plantings	Naval Stores		Saturday	Naval Stores	Winter Cover Crop Seeds	Sunday			Sunday	19
20		Saturday	Saturday			Sunday		But Crop Production and Utilization; Tung Oil Revisions and Prices; Turkey Production; Numbers Raised			Saturday	Winter Wheat & Rye Seedings, 1955; Apples by Variety; Miscellaneous Seed Crops	20
21	Wholesale Grocers' Stocks of Evap. & Condensed Milk	Sunday	Sunday	Wholesale Grocers' Stocks of Evap. & Condensed Milk	Com'l. Vegetables for Processing	Sour Charrise; Crimson Clover	Wholesale Grocers' Stocks of Evap. & Condensed Milk	Saturday		Wholesale Grocers' Stocks of Evap. & Condensed Milk	Sunday		21
22	Grain Stocks	Holiday	Hope Stocks	Com'l. Vegetables for Processing	Saturday	Spring Pig Crop	Com'l. Vegetables for Processing; Badtop Seed (Ill.)	Sunday	Hope Stocks	Grain Stocks		Fall Pig Crop	22
23	Saturday			Grain Stocks; Peanut Stocks and Processing	Sunday		Grain Stocks; Peanut Stocks and Processing			Saturday		Peanut Stocks and Processing	23
24	Sunday	Peanut Stocks and Processing	Peanut Stocks and Processing	Saturday	Peanut Stocks and Processing	Com'l. Vegetables for Processing; Lupine Seed; Peanut Stocks and Processing	Saturday	Peanut Stocks and Processing	Liquid and Dried Eggs; Peanut Stocks and Processing	Sunday	Liquid and Dried Eggs; Peanut Stocks and Processing	Liquid and Dried Eggs	24
25	Liquid and Dried Eggs; Peanut Stocks and Processing	Wool Production and Income; Liquid and Dried Eggs	Liquid and Dried Eggs	Sunday	Liquid and Dried Eggs	Liquid and Dried Eggs	Sunday	Liquid and Dried Eggs	Saturday	Liquid and Dried Eggs	Holiday	Saturday	25
26	Proc. & Value of Honey & Beeswax; Turkey Breeder & Bred; Nations Fed to Milk Cows	Prices; Slaughter; Revision of Monthly Egg Production; Canned Poultry	Farm Production & Income from Turkeys	Liquid and Dried Eggs		Saturday	Liquid and Dried Eggs	Badtop Seed (Mo.); Timothy Seed; Ladino Clover Seed; White Clover Seed	Sunday	Peanut Stocks and Processing		Sunday	26
27		Saturday	Saturday			Sunday		Canned Poultry			Saturday	Certified Seed Potatoes	27
28	Canned Poultry	Sunday	Sunday	Canned Poultry	Prices; Slaughter; Canned Poultry	Canned Poultry	Canned Poultry	Saturday	Canned Poultry	Canned Poultry	Sunday	Canned Poultry	28
29	Prices; Slaughter; Evap., Condensed and Dried Milk; Soybean and Flaxseed Stocks		Canned Poultry	Farm Production & Income from Meat Animals; Soybean and Flaxseed Stocks	Saturday		U. S. Lamb Crop; Soybean and Flaxseed Stocks			Prices; Slaughter; Evap., Condensed and Dried Milk; Soybean and Flaxseed Stocks	Canned Poultry		29
30	Saturday		Prices	Prices; Slaughter; Evap., Condensed and Dried Milk	Sunday	Prices; Slaughter; Evap., Condensed and Dried Milk	Prices; Slaughter; Chickens Raised; Evap., Condensed and Dried Milk		Prices; Slaughter; Evap., Condensed and Dried Milk	Saturday	Prices; Slaughter; Evap., Condensed and Dried Milk	Prices	30
31	Sunday		Slaughter; Evap., Condensed and Dried Milk		Decorations Day		Saturday	Prices; Slaughter; Evap., Condensed and Dried Milk	Sunday			Slaughter; Evap., Condensed and Dried Milk	31

Selected Examples of Recent Progress:

1. Methodology Studies

The expanded program to explore and develop improvements in crop estimating procedures was started at the beginning of the year with experimental surveys in Mississippi and North Carolina aimed at improving procedures for estimating cotton acreages and production. Intensive work on objective yield forecasts for cotton and corn was conducted at the statistical laboratories of North Carolina State College and Iowa State College, and some cooperative studies on sample-census methodology were made in connection with a Census Bureau project in Virginia and Utah. While these studies were in progress a panel of consultants, consisting of statisticians and agricultural workers from outside the Department, was appointed and met several times during the year to review the work and assist in framing proposals for a long-range program. As a result of these panel discussions, a combined sampling and objective crop estimating project was set up in 10 Southern States for the 1954 crop season as a start toward developing an improved statistical system which could be extended throughout the country.

2. Field Crops

The monthly and other periodic grain estimates were improved and expedited as a result of modernizing and revising the charts used in the forecasting and estimating processes. Attention was focused on the use of weather data, fertilizer, trend and other factors in devising relationships to improve current estimates and forecasts.

The official series of sugar beet estimates were published in full for the first time in "Sugar Beets: Acreage, Yield, Production, Price and Value" in June 1954. Estimates from 1924 through 1952 were shown for each State which had grown sugar beets for any year of this period and estimates for the United States were published for the years 1909 through 1952.

Continuing emphasis was given to the improvement of cotton acreage and production estimates, involving a study of mail questionnaires with entirely new questions and the inauguration of new surveys in some States. A special effort was made to strengthen the regular acreage surveys. A random list of growers furnished special information on acreage planted "this year" and "last year", which made it possible to provide some information on the acreage of cotton not up to a stand as of July 1, 1953. Special studies to test the feasibility of securing dependable production indications independent of an acreage basis, which were initiated during the 1952 season, were expanded. Results of the investigations have been satisfactory and most of the test items are being incorporated into the regular reporting and estimating program.

A summary of exports and imports of turpentine and rosin was added to the monthly report on production and stocks. Plans for the coming year include publication of a bulletin containing all available statistics on the various items covered in monthly and semi-annual reports.

3. Fruits and Vegetables

Cooperative studies directed toward estimating methods for fruit production were conducted during the year in two States. In California, considerable progress was made in developing objective measurements for peaches and pears. In Florida, special attention was directed toward improved estimates for oranges by expanded fruit counts and measurements in selected groves and trees, row counts of fruit picked, and observations concerning trees removed and new trees planted.

A report showing annual estimates of production for each of the 28 principal vegetables and for all minor vegetables as a group, including greenhouse production, for the years 1919-52, was prepared and published for the first time. These statistics will be useful as a measure of total commercial production and as a basis for calculating revised series of per capita consumption figures for commercial vegetables. Plans have been developed to provide separate estimates of the summer potato crop in eight late potato States. These estimates will be published for Idaho, Oregon, Washington, California, Colorado, Wisconsin, Michigan, and Minnesota, which account for more than half the summer potato crop produced in 20 late States.

4. Livestock and Poultry

Assistance was given to six Corn Belt States in initiating quarterly pig reports through the efforts of cooperating State Agencies. The inauguration of these reports in Indiana, Illinois, Wisconsin, Minnesota, Iowa, and Kansas was an important accomplishment in livestock estimating and reporting. A coordinated 6-State report was issued by each State, showing the number of all hogs, and hogs six months old and over on March 1, the number of sows farrowing for the winter season, and breeding intentions for the spring months and summer months. The regular June 1 pig crop report for these states was expanded to show inventories of all hogs, hogs six months old and over, and hogs and pigs three to six months old. In addition, breeding intentions were reported separately for the "summer" and "fall" months.

Downward adjustments in beef cattle prices, coupled with the progressive narrowing of feeding margins and, in some instances, serious financial losses, have stressed the importance of providing better data on cattle feeding. The 3-State quarterly cattle-on-feed reports (Illinois, Iowa, Nebraska) show that feeders made prompt adjustments in their feeding operations and marketing plans, once the picture on feeding was revealed. This made for a stronger market on fed cattle later in the season so that in many cases serious losses were averted as producers aimed their marketings for the seasonally low points and evened out the supply of better grade cattle. Similar quarterly reports have been inaugurated in California and it is planned to extend the report to nine additional States - six corn belt and three western - during the coming year. With this expansion the reports will cover approximately 90 percent of the cattle feeding done in the United States.

The statistical reporting services for turkeys was expanded to include (1) a special 7-State report on poultry production for December 1953, and the latter half of 1953, showing percentage change in poult hatchings and eggs in incubators as of January 1; (2) separate indications for light and heavy breeds in reports on intentions to raise turkeys, and on breeder hens and all turkeys on hand January 1; and (3) regular monthly reports on poult production by months and turkey eggs in incubators on the first of each month by light and heavy breeds.

During the year, a new system for chick placement reports was devised for simplifying the interchange of weekly reports among all States concerned by having the weekly data submitted to one State office for summarization and relay back to each reporting office. The system resulted in sufficient savings to augment previous work in Oregon and provide full-scale weekly reporting in that State.

Dairy

Two States, Georgia and Arkansas, were added to the group for which monthly milk production is estimated, bringing to 32 the States for which these estimates are now regularly prepared and released in monthly reports. It is anticipated that similar data will be included for Wyoming before the end of the year. The monthly "Fluid Milk and Cream Report" was expanded to include additional markets for which fluid milk prices are reported. Continuing efforts are being made to further expand the report in order to obtain more stable geographic division prices and larger and more complete individual market price samples.

6. Agricultural Prices

An analysis of prices paid by farmers for cottonseed meal and soybean meal has shown that there are substantial differences in the protein content of feeds bought in different parts of the country. The analysis was undertaken to determine the most efficient method to collect average prices paid for these feed items.

Continuing improvements of the "prices paid estimates" used in the construction of the Parity Index were emphasized during the year. Steps taken in this direction included the building up of reporter lists, testing alternative methods of stratifying returns, modernization of commodity coverage, combination of chain and independent store estimates, and introduction of a new procedure for including sales taxes in price estimates where they are levied.

The seventh annual service rate survey indicates that farmers paid 3.9 percent more for newspapers, 6 percent more per month for local telephone service and 4.5 percent less per kilowatt hour for electricity in 1953 than in 1952 as more farmers made use of these three services. The data on electricity rates and related information were collected from over 22,000 farmers.

7. Farm Employment

A revised series of farm employment estimates was issued, showing annual estimates from 1910 to 1939 and monthly estimates from 1940 to date for the U. S. and by geographic region. Work on breaking down the revised geographic region estimates to State estimates is underway.

8. Cold Storage Reports

The increased purchases of butter and cheese by the Commodity Credit Corporation during the past year generated a considerable interest in the monthly reports of cold storage holdings. The "Cold Storage Reports" kept the public and those associated with the marketing of perishable foods adequately informed regarding the growing increase in total U. S. stocks and that portion reserved for the Government. The reports also served to indicate the extent to which warehouse space was being filled and where additional space might be secured for storing perishable foods.

MARKETING SERVICES

The activities under this subappropriation contribute to the efficient and orderly marketing of the products of American agriculture and aid farmers in obtaining the maximum return for their production. These activities are divided into five functional categories. Examples of accomplishment, by project, during 1954 are as follows:

A. MARKET NEWS SERVICE

Current Activities:

This service assists farmers in obtaining equitable returns for their products and aids in orderly marketing and prevention of waste resulting from local surpluses by providing timely and reliable market news on all major agricultural commodities. This is accomplished through the collection of market information at year-round and seasonal offices maintained in more than 100 cities and towns and the dissemination of this information by mail, press, radio, television, telephone, telegraph, bulletin board, and trade and farm publications. More than 1,200 daily newspapers having an average circulation of 37 million--approximately 70 percent of the 53 million circulation of all daily newspapers--carry news based on Federal market reports. A total of 1,500 radio stations broadcast news regularly, and approximately 100 television stations carry market news reports.

Selected Examples of Recent Progress and Trends:

1. Activity by Commodity Group, Fiscal Year 1954

Commodity Group	Field Offices	Buyers and Sellers: Interviewed	Daily News-papers: Carrying Reports	Stations Broadcasting Reports	Radio	Television	Linco-graphed Releases: To Growers, Shippers, And Others:	On Mailing List
Cotton and cottonseed:								
Year-round...	30							
Seasonal.....	2							
Total	32	15,211	332	548	15	1,757,342	53,211	
Dairy and poultry products:	32	1,800	919	1,100	25	11,855,500	46,321	
Fruits and vegetables:								
Year-round...	24							
Seasonal.....	27							
Total	51	3,625	488	600	7	9,965,000	72,350	
Grain, feed and related prod'ts.	7	1,726	841	610	10	2,300,000	72,925	
Livestock, meats and wool	37	3,500	1,070	1,175	50	4,715,280	31,244	
Naval stores...	1	20	65	15	None	150,000	540	
Tobacco:								
Year-round...	2							
Seasonal.....	7							
Total	9	a/	48	80	10	1,005,700	3,237	

a/ Auction system only. No interviews with buyers or sellers.

2. Additions, Changes and Specific Improvements

Fiscal Year 1954

a. Services were initiated as follows:

<u>Commodities</u>	<u>Location</u>	<u>Financing</u>
All commodities	Charleston, S.C.	Federal-State
Livestock	Amarillo, Texas	Federal-State
Livestock	Sioux Falls, S.D.	Federal-State
Broilers	Lafayette, Ind.	Federal-State <u>a/</u>
Grains, particularly soybeans and corn . . .	Chicago, Ill.	Federal
Hay	Sacramento, Calif.	Federal-State <u>a/</u>
Broilers	Austin, Texas	Federal-State <u>a/</u>
Poultry	Atlanta, Ga.	Federal-State
Poultry	Fresno, Calif.	Federal-State <u>a/</u>

a/ Formerly conducted by the State as a matched fund project.

- b. Two weekly reports on cotton were initiated in 1954--one on volume of cotton classed under each classing service, and one on landed mill prices which is used by Foreign Operations Administration to determine the reasonableness of cotton prices charged participating foreign countries by American shippers under the FOA program.
- c. The trend away from wholesale terminal marketing of commodities continued and caused a shift in reporting of wholesale sweet cream prices in the Philadelphia market to prices in the South-eastern Pennsylvania area and from wholesale egg prices at Boston to prices paid FOB Boston. In both cases the change provided increased sources of information and greater volume as the basis for reporting.
- d. Reporting of truck receipts of fruits and vegetables on the Cincinnati market began early in 1954 while similar reports at Portland, Oregon were discontinued due to the inability of the State of Oregon to continue its share of the financing.
- e. The Eastern Seaboard Meat Trade Review, a weekly report summarizing supply, demand, trade activity and price trends at Boston, New York, Philadelphia, Baltimore and Washington was initiated at New York City in September 1953. This report provides information for use of livestock producers and feeders in surplus producing areas where prices are influenced to a large extent by meat trade conditions in large consuming centers along the Eastern seaboard.
- f. A weekly report was inaugurated at Boston covering wool prices, either actual or nominal, for each class and grade of wool described in the Wool Price Support Loan Program for use in establishing sales prices for CCC inventory stocks.

- g. Increased radio and television coverage of the cotton market news service was completed.
- h. A number of dairy and poultry market reports were released earlier in the day thus providing a wider dissemination by radio and press.
- i. Reports on hops from the Portland, Oregon office were improved by addition of grower contract data received from members of the industry.
- j. The alfalfa meal bulletin which previously carried total U.S. production was in the past year revised to carry the information by State as well as in total.

Fiscal Year 1955

- a. A seasonal market news office for fire-cured and dark air-cured tobaccos produced in the States of Kentucky and Tennessee has been established at Clarksville, Tennessee. The market news reports for these classes of tobaccos have been issued in the past at Lexington, Kentucky.
- b. The livestock market news office at Houston was terminated as a Federal Service in February 1954 and the State took over operation of the Service. Funds were appropriated to operate the Service as a Federal-State project during fiscal year 1955. This cooperative project went into effect on December 6, 1954.
- c. In cooperation with Arizona Fruit and Vegetable Standardization established office at Phoenix, Arizona, on full season (approximately 9 month) basis with Federal reporter in charge as improvement on previous arrangement whereby Federal reporter was available intermittently only four and a half to five months during the season. This arrangement provides continuous complete coverage on all fruits and vegetables shipped from that area.
- d. Moved Western Idaho potato and prune office from Payette to Caldwell, which provided more effective coverage of industry. State cooperation from Idaho and Oregon was obtained in conduct of this seasonal office.
- e. Initiated special weekly cranberry reports at Boston for benefit of Massachusetts cranberry industry. This work is being conducted on experimental one-year basis in cooperation with Massachusetts Department of Agriculture (without assurances it would be continued in future years unless facilities permitted.)

3. Federal-State Cooperation

a. Federal-State Cooperative Agreements in Effect Fiscal Year 1954 and 1955 (as of 12/1/54) by Commodity Group

Dairy and Poultry Products	:	Fruits and Vegetables	:	Grain and Feed Products	:	Livestock Meats and Wool	:	Tobacco
Alabama	:	Alabama	:	Alabama	:	Alabama	:	--
--	:	Arizona	:	--	:	--	:	--
Arkansas	:	Arkansas	:	Arkansas	:	--	:	--
California	:	California	:	California	:	California	:	--
--	:	Colorado	:	--	:	--	:	--
Connecticut	:	Connecticut	:	--	:	--	:	--
Delaware	:	--	:	--	:	--	:	--
--	:	Florida	:	--	:	Florida	:	--
Georgia	:	Georgia	:	--	:	Georgia	:	--
--	:	Idaho	:	--	:	--	:	--
Indiana	:	--	:	--	:	--	:	--
Iowa	:	--	:	Iowa	:	Iowa	:	--
Kentucky	:	Kentucky	:	Kentucky	:	--	:	Kentucky
Louisiana	:	Louisiana	:	Louisiana	:	Louisiana	:	--
--	:	Maine	:	--	:	--	:	--
Maryland	:	Maryland	:	Maryland	:	Maryland	:	Maryland
Michigan	:	Michigan	:	--	:	--	:	--
--	:	Minnesota	:	--	:	--	:	--
Mississippi	:	Mississippi	:	Mississippi	:	--	:	--
--	:	New Jersey	:	--	:	--	:	--
New York	:	New York	:	--	:	--	:	--
No. Carolina	:	No. Carolina	:	No. Carolina	:	No. Carolina	:	No. Carolina
Ohio	:	Ohio	:	--	:	--	:	--
--	:	Oklahoma	:	--	:	Oklahoma	:	--
Oregon	:	Oregon	:	Oregon	:	Oregon	:	--
Pennsylvania	:	Pennsylvania	:	--	:	--	:	--
So. Carolina	:	So. Carolina	:	So. Carolina	:	So. Carolina	:	--
--	:	--	:	--	:	So. Dakota	:	--
Tennessee	:	Tennessee	:	Tennessee	:	Tennessee	:	Tennessee
Texas	:	Texas	:	Texas	:	Texas	:	--
Utah	:	Utah	:	Utah	:	Utah	:	--
Virginia	:	Virginia	:	Virginia	:	Virginia	:	Virginia
Washington	:	Washington	:	--	:	--	:	--
West Virginia	:	West Virginia	:	--	:	--	:	W. Virginia
Wisconsin	:	Wisconsin	:	--	:	--	:	--
Total	:		:		:		:	
States 26	:	31	:	15	:	16	:	6
Hawaii --	:	1	:	--	:	--	:	--
Total Agreements	:		:		:		:	
26	:	32	:	15	:	16	:	6

b. Cooperative Financing

Financing of the market news reporting service is based on 3 categories:

<u>Category</u>	<u>Significance of Marketing Data</u>	<u>To be Financed by</u>
I	National	Federal appropriation
II	Regional	Joint Federal-State funds ranging from maximum of 75% to a minimum of 25% of either Federal or State funds.
III	Local	State or local funds.

During 1953 the service at each location was analyzed, by commodity group, to determine the category applicable to each. Upon completion of this analysis the estimated annual cost of each service was computed as between State and Federal shares on the basis of the category of service rendered and contact was made with States which were not contributing their fair share toward the expenses of the service. As of December 1, 1954 only 19 States were not yet contributing their proportionate share. Negotiations are under way with 13 of these States with a view to making amounts more equitable in accordance with the approved financing plan. Plans are to continue efforts to achieve equitable cooperative financing in all services at all locations.

c. Federal Cost of Service

	<u>1954</u>	<u>: 1955 (Est)</u>	<u>: 1956 (Est)</u>
Total cost of service....	\$3,552,284	: \$3,634,700	: \$3,772,300
Less reimbursements * ...	152,990	: 106,700	: 119,300
Paid from appropriation.	<u>3,399,294</u>	: <u>3,528,000</u>	: <u>3,653,000</u>

* Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended directly by States and by local groups both under cooperative agreement and outside of agreement.

B. INSPECTION, GRADING AND CLASSING, AND STANDARDIZATION

Current Activities:

These activities assist farmers in obtaining returns for their products commensurate with quality. This is accomplished by (1) establishing United States standards for agricultural commodities that will accurately describe their quality and condition; (2) developing the equipment and methods by which these standards may most efficiently be applied; (3) providing an impartial inspection, grading and classing service for producers, dealers and others on the basis of these standards;

(4) broadening the knowledge, acceptance and use of such standards by producers, dealers, manufacturers, consumers and others through demonstrations, training courses, color charts and photographs, plaster models, preparation and loan or sale of copies of standards, etc.; and (5) administration and enforcement of regulatory and criminal provisions of statutes that require the use of official United States standards for cotton, cotton linters, and grain sold in interstate commerce and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress and Trends:

1. Standardization and Related Activities

United States standards provide a common language to describe quality of products being bought and sold. They must be revised and kept up-to-date as significant changes occur in production, merchandising practices, and uses of the products. Visual aids are an important part of this work to assure as much uniformity as possible in the application of the standards.

a. The volume of standardization and demonstration activities in 1954, by commodity group, is reflected in Table I.

b. Examples of Specific Standardization Activities

- (1) Pursuant to two recommendations made at the 10th Universal Cotton Standards Conference held in Washington in May 1953 (1) a physical form standard for Good Middling white cotton was promulgated in 1953 to become effective in 1954 which supersedes the descriptive standard previously in effect. The Universal Cotton Standards Conference for Good Middling held in Washington in June 1954 examined and approved 299 key boxes of this standard for use by the signatories to the Universal Cotton Standards Agreement during the next three years and for distribution to the cotton industry during the 1954-55 cotton season. (2) A field trial for proposed physical form standards for spotted cotton was conducted and plans were made to extend the trial period for one more year in order to secure more conclusive results before recommending physical form standards for this type of cotton.
- (2) A study was initiated during 1954 to provide information needed as a basis for revising the official cotton linters standards in order to bring them in line with current production and to enhance the utility of the standards in connection with marketing and processing. A report on one phase of the study was published in November 1953 entitled "Cotton Linters--Production, Marketing and Market Outlets."

TABLE I

Volume of Standardization and Demonstration Activities, by Commodity Group, Fiscal Year 1954

Types of Activity	Cotton and cottonseed	Dairy and poultry products	Fruits and Vegetables	Grain, Hay, Feed, Seed, etc.	Livestock, Meats, and Sugarcane	Molasses and Sirups	Tobacco and Stores
Standardization Activities:							
Grade standards in effect June 30, 1954	112	17	260	20	10	3	2,659
Number of commodities covered	4	9	191	20	15	3	27
New standards issued in fiscal year 1954	--	2	8	--	--	--	--
Standards revised in fiscal year 1954	2	2	15	2	--	--	30
New standards in process June 30, 1954	5	2	4	2	--	1	--
Standards being revised as of June 30, 1954	4	4	12	--	2	--	--
Requests pending for new standards	--	8	21	1	2	--	--
Requests pending for revision of standards	--	1	25	--	1	--	--
Demonstration Activities:							
Farm demonstrations--							
Farmer meetings--	194	--	--	--	--	--	111
Attendance--	9,227	--	--	48	--	--	2,794
Farm visits	3,979	--	--	3,000	--	--	10
School demonstrations--	112	29	25	15	3	4	111
Attendance--	2,703	448	650	1,900	250	--	335
Short courses at Agricultural Colleges--	6	5	6	--	1	--	5
Other demonstrations--	180	200	205	--	300	--	566
Grading and training schools--	698	33	15	--	121	2	54
Packing houses, processing plants visited and industry members interviewed	103,150	5,230	580	--	8,100	--	700
Distributed--	--	200	991	--	--	--	157
Copies of standards	88	15,590	144,108	16,000	14,085	1,500	800
Farmer bulletins, etc.	11,559	263,945	315	4,200	29,775	600	11,000
Visual Aids:							
Prepared--							
Plaster and plastic models	--	1	559	--	--	--	--
Black and white photographs	--	125	--	--	--	--	--
Slides	--	130	--	--	--	--	--
Distributed--							
Plaster and plastic models	--	--	523	--	--	--	--
Color photographs, charts and guides	--	47,251	114	--	3,073	--	--
Black and white photographs	--	50	113	--	--	--	--
Slides and film strips	84	970	--	--	147	--	--
Type samples and physical forms	--	--	--	4,000	--	--	--
Sets of standards loaned	--	--	--	--	--	--	75
Exhibits and other displays	133	4	--	--	--	--	--
Television films	4	--	--	--	--	--	--

- (3) During 1954 new or revised United States standards were developed for butter, dry whey, dry buttermilk, Cheddar cheese, dry whole milk, poultry, shell eggs, good middling white cotton, wheat, barley, wool top, shelled English walnuts, fresh Brussels sprouts, parsnips, turnips, tomatoes, grapes, eggplant, cucumbers, green corn, watermelon, carrots, and radishes, canned grapefruit, canned tomato sauce, and canned potatoes, frozen apples, beans, and mixed vegetables.
- (4) Training and refresher courses are conducted for licensed graders and prospective licensees at various locations throughout the country. These courses are designed to promote uniform application of standards and specifications and proper interpretation of established methods and procedures. The courses also serve to acquaint graders with any unusual quality factors which they may encounter in their grading work. Grading demonstrations are conducted to acquaint members of the dairy industry with the interpretation and application of standards for grades of dairy products. Because of a considerable increase in the number of grading personnel in recent months, it is anticipated that the number of training courses to be conducted during fiscal year 1955 will exceed the number conducted in fiscal year 1954.
- (5) Merchandising Training for Wholesalers and Retailers

- a. Fruits and Vegetables

This program is carried on in cooperation with the U.S. Fresh Fruit and Vegetable Association. Since its initiation in 1947, a total of 33,718 retailers and their employees have attended classes in 44 States and territories. During the past year 394 classes attended by 3,597 retailers were conducted.

An important development during the past year was the revision of the subject-matter outline for the retailer training program. A principal item in this revision was the addition of considerable information about packing, handling and merchandising of prepackaged fresh fruits and vegetables. Retailers are in need of information on this subject due to the rapid increase in the amount of prepackaged fresh fruits and vegetables appearing in the average self-service retail food store.

b. Poultry

This program aimed at improving the merchandising practices of retailers of poultry products as a means of reducing losses, maintaining quality and increasing sales, thereby benefiting producers, distributors and consumers was carried on under contract by the Poultry and Egg National Board. The contract which went into effect June 1, 1950, was terminated June 1, 1954.

During the life of the contract, 1,156 training schools were held in 40 States with 19,899 eligible trainees in attendance. Also, the contractor completed a handbook on poultry merchandising practices consisting of 53 pages, which was distributed to all trainees. A survey to determine the effectiveness of these merchandising schools in improving methods of retailing poultry products was completed by the University of Maryland under contract with the Department.

2. Inspection Activities

a. Commodities Inspected and Graded, by Commodity Group,
Exclusive of Mandatory Services, Fiscal Years 1952-1954

Commodity Group :	Unit :	1952	1953	1954 (partially Estd.)
<u>Fresh fruits and</u>	:	:	:	:
<u>vegetables:</u>	:	:	:	:
At receiving	: Car or-	:	:	:
markets.....	: carlot :	105,991:	107,615:	98,871
At shipping	: equiva-	:	:	:
points.....	: lent :	1,156,216:	1,160,755:	1,263,134
Total carlots:	:	1,262,207:	1,268,370:	1,362,005
<u>Processed fruits</u>	:	:	:	:
<u>and vegetables:</u>	:	:	:	:
Canned products:	: Cases :	110,850,694:	103,757,325:	111,003,424
Frozen, dried,	:	:	:	:
and miscellan-	:	:	:	:
cous	: Pounds:	1,563,765,426:	1,787,108,369:	1,798,586,772
Marine products:	:	:	:	:
canned	: Cases :	671,074:	189,321:	196,758
<u>Dairy products</u>	:	:	:	:
Butter, cheese,	:	:	:	:
dry skim milk,	:	:	:	:
evaporated	:	:	:	:
milk, and mis-	:	:	:	:
cellaneous	:	:	:	:
products.....	: Pounds:	1,578,576,993:	1,596,139,367:	3,529,028,170
:	:	:	:	:
:	:	:	:	:

a. Commodities Inspected and Graded--Continued

Commodity Group	Unit	1952	1953	1954 (partially estd.)
Poultry products:				
Shell eggs.....	Cases:	15,200,013:	14,839,820:	14,497,513
Processed eggs...	Lbs.:	307,369,130:	269,254,960:	337,617,325
Poultry	Lbs.:	1,335,798,452:	1,938,329,044:	2,009,205,634
Poultry process- ed under USDA sanitary stand- ards	Lbs.:	1,260,763,905:	1,314,377,910:	1,384,064,796
Grain and related products:				
Rice, beans and peas	100# bags:	36,695,994:	32,665,000:	34,253,000
Hay	Tons:	64,837:	73,662:	75,247
Hops	Bales:	254,045:	220,190:	219,899
Seed verification and reverifica- tion	Lbs.:	79,730,142:	32,035,000:	96,203,000
Miscellaneous com- modities-Certifi- cates issued		8,986:	8,330:	9,769
Meat and meat products:				
Beef	Lbs.:	8,346,859,000:	7,993,249,000:	6,032,976,000
Veal and calf....	Lbs.:	976,298,000:	792,148,000:	328,412,000
Lamb and mutton..	Lbs.:	571,553,000:	386,054,000:	246,745,000
Miscellaneous....	Lbs.:	139,685,000:	170,830,000:	605,566,000 a/
Total, meat and meat products.....	Lbs.:	10,034,395,000:	9,342,281,000:	7,213,699,000
Cottonseed -Samples analyzed		125,109:	148,058:	166,328
Cotton fiber - Tests made (fee basis) :		54,477:	36,577:	23,915
Naval stores:				
Rosin -drum equivalent		612,444:	551,416:	444,215
Turpentine-gallon equivalent		8,877,300:	6,987,300:	6,618,033

a/ The increase in this item is due to large emergency meat purchase programs requiring Federal inspection of commodities. This type of inspection will, in the future, be performed by the Meat Inspection organization of Agricultural Research Service.

b. The units of dairy products graded during 1954 continued to increase due mainly to the large volume of butter, Cheddar cheese and non-fat dry milk solids offered under the price support program. Of major importance was the inspection of dairy processing plants for sanitation, condition of equipment and facilities, and adequacy of processing methods. Mainly, these inspections were made at plants supplying products under the price support program or on other Government contracts and at plants requesting approval for packaging Government-owned dairy products. During the fiscal year, approximately 400 plant inspections were made throughout the Nation. These plant inspections which are performed in

connection with grading and sampling of products, have had particular significance in improving the quality and stability of dairy products throughout the country.

- c. Approximately 50 percent of the total commercial slaughter of beef, veal, calf, lamb and mutton was Federally graded in 1954. The total of 7.2 billion pounds of meat graded in 1954, however, was less than the 9.3 billion pounds in 1953 due to the fact that mandatory meat grading under OPS regulations was in effect for part of 1953 (until February 1953). This amount, in 1954, is a record high for permissive grading. In 1941, before mandatory grading in World War II, a total of 693.4 million pounds were graded. In 1950, before mandatory grading during the Korean War, this figure had risen to 2.7 billion. The 1954 volume is almost triple that of 1950. Indications are that future years will continue at a high level.
- d. The increase in fruit and vegetable inspections is due principally to increased quantities of raw products for processing plants.
- e. About 2,600 samples of rough rice, representing 11-1/2 million bags, were inspected for milling yield in California. The milling data shown in certificates thus issued were used as a basis for the sale of this rice by growers to millers. The total quantity of rice inspected was 7 percent greater than in 1953 due principally to the large quantity of rough rice inspected.
- f. The number of poultry plants under inspection continued high in 1954 due principally to the growing trend toward merchandising ready-to-cook poultry and poultry products (both in quick frozen and fresh form). During the year, 338 poultry plants were under contract for poultry processing and canning. New frozen products such as chicken and turkey pot pies, roast turkey and chicken dinners, have met with ready consumer acceptance. Frozen canned chicken soups and processed egg yolks for baby food are among the new commodities recently introduced or in process of development. With the larger number of plants operating under the grading service a series of grading schools was held in 1954 throughout the country to instruct licensees in these services.

3. Examples of Recent Developments in Inspection, Grading and Classing Activities in Specific Commodity Fields

a. Cotton and Cottonseed

Cotton Classifications by Federal Employees and Licensed Classers (Federally supervised) Fiscal Years 1951-55

	Number of Classifications Made				
	1951	1952	1953	1954	1955 (est.)
Cotton					
Classifications by Federal Employees:					
Statistics and					
Estimates Act..	298,755:	379,672:	354,100:	415,396:	400,000
Smith-Doxey					
Amendment	5,215,406:	9,843,643:	9,382,240:	12,667,777:	10,000,000
Cotton Standards Act:					
Public Classing:					
Service	666,775:	338,073:	352,341:	411,472:	500,000
Foreign Opera-					
tions Adminis-					
tration (reimb):	405,222:	139,377:	144,907:	179,854:	144,000
Federal Peniten-					
tiary (reimb):	23,636:	19,292:	26,019:	22,324:	26,000
CCC Loan(reimb):	*	*	216,459:	402,896:	200,000
Other	32,738:	31,426:	34,247:	23,938:	16,000
Cotton Futures					
Act.....	191,182:	433,297:	650,668:	457,080:	150,000
Subtotal.....	6,833,714:	11,184,780:	11,160,981:	14,580,737:	11,436,000

Classifications by Licensed Classers (Supervised by Federal Classers):

Cotton Standards:					
Act	1,721,961:	1,392,134:	1,116,931:	928,018:	700,000
(Includes bale classifications and samples classed in sorting cotton into lots by grades and staple)					
Total Cotton					
Classifica-					
tions.....	8,555,675:	12,576,914:	12,277,912:	15,508,755:	12,136,000
Cotton Linters					
Classifications by:					
Federal					
employees.....	6,839:	10,712:	9,788:	8,356:	8,000
Licensed					
classers	170,206:	95,000:	950,000:	296,800:	200,000
Total Cotton					
Linters					
Classifica-					
tions.....	177,045:	105,712:	959,788:	305,156:	208,000

* - Cotton offered for loan has been classed for CCC but not reflected as reimbursement to Marketing Services until 1953.

- (1) Federal employees classed a total of 14,580,737 samples of cotton in 1954, the largest volume for any season on record. Of this quantity, 12,667,777 samples--about 78 percent of the total United States ginnings--were classed for 506,011 farmer-members of cotton improvement groups organized under the Smith-Doxey Act. This volume and percentage of crop classed under the Smith-Doxey Act also set a new high.
- (2) Although cotton fiber and spinning tests for cotton breeders and merchants remained at about the same level as in 1953, there was a substantial reduction in the number of tests performed for non-governmental research agencies in 1954.
- (3) (a) The Conference Report on the Department of Agriculture Appropriation Act for 1955 (House Report 1911) directed the Secretary to establish subclassing offices at three specified locations and at other places in the Cotton Belt where, in the opinion of the Secretary, cotton marketed or handled justified such suboffices and where local people were willing to provide the cost of necessary office space and physical equipment. Under this directive subclassing offices were established during the current marketing season at Hattiesburg and Prentiss, Mississippi, and Pecos, Texas. There were a number of requests from other locations for the establishment of subclassing offices but in these cases the sponsors considered the matter and decided against meeting the specifications approved by the Department for establishment of such offices. It is probable that the Department may have to establish additional offices during the 1955-56 marketing season since groups desiring the offices will have more time to make preparations for providing adequate space and equipment.
- (b) It appears likely on the basis of the December 8 cotton crop forecast that the volume of cotton classed by Department employees during the 1955 fiscal year will be smaller than for the 1954 fiscal year due to a sizeable decrease in production.

b. United States Grain Standards Act

- (1) The number of inspections of grain by licensed inspectors again exceeded two million, although the total quantity of grain inspected was 10 percent less than the 4.3 billion bushels inspected last year. This was due principally to smaller export movements.

- (2) Total appeals from licensed inspectors' grades declined to 82,274, about 4 percent less than in 1953. Exporters called appeals on many cargoes of soybeans. This practice tended to reduce reports of dissatisfaction with the quality of soybeans exported. A total of 779 appeals were referred to the Board of Grain Supervisors. The supervisor's grade was sustained in 88.3 percent of the cases.
- (3) Federal employees supervised 8.7 percent of all grain inspections made in 1954, about the same as in 1953. Emphasis was placed on intermarket supervision. Such supervision of inspections of grain movements between markets supplemented the direct supervision and brought to light inspection trends. This made it possible to take necessary corrective action before serious losses were suffered.
- (4) During the year charges were preferred against 4 licensed inspectors alleging improper performance of duties or misgrading of grain. In one case the license was revoked. The other three licensees were placed in a probationary status and conditions which caused the misgradings were corrected.

(5) Volume of Inspection and Appeal Activities Under the Grain Standards Act, Fiscal Years 1941 and 1951-1955

Activity :	1941 :	1951 :	1952 :	1953 :	1954 :	1955(est.) :
Licensed :	:	:	:	:	:	:
Inspectors :	:	:	:	:	:	:
as of :	:	:	:	:	:	:
6-30..... :	414 :	494 :	508 :	520 :	540 :	550 :
Inspection :	:	:	:	:	:	:
points as :	:	:	:	:	:	:
of 6-30... :	<u>178 :</u>	<u>246 :</u>	<u>252 :</u>	<u>258 :</u>	<u>272 :</u>	<u>275 :</u>
Estab- :	:	:	:	:	:	:
lished... :	134 :	150 :	154 :	157 :	163 :	165 :
Desig- :	:	:	:	:	:	:
nated... :	44 :	96 :	98 :	101 :	109 :	110 :
Inspections :	:	:	:	:	:	:
by :	:	:	:	:	:	:
licensees... :	1,268,121 :	2,440,607 :	2,465,895 :	2,241,892 :	2,309,790 :	2,300,000 :
Supervised :	:	:	:	:	:	:
inspections :	:	:	:	:	:	:
total :	<u>191,521 :</u>	<u>189,195 :</u>	<u>198,232 :</u>	<u>204,223 :</u>	<u>201,257 :</u>	<u>210,000 :</u>
Appeal.... :	<u>56,900 :</u>	<u>79,053 :</u>	<u>99,599 :</u>	<u>86,116 :</u>	<u>82,274 :</u>	<u>82,000 :</u>
Other..... :	134,621 :	110,142 :	98,633 :	118,107 :	118,983 :	128,000 :
Percent of :	:	:	:	:	:	:
inspections :	:	:	:	:	:	:
supervised :	15.1 :	7.8 :	8.0 :	9.1 :	8.7 :	9.1 :
Percent of :	:	:	:	:	:	:
appeals on :	:	:	:	:	:	:
which orig- :	:	:	:	:	:	:
inal grade :	:	:	:	:	:	:
changed.... :	32.5 :	37.1 :	32.4 :	31.4 :	27.0 :	27.0 :
Appeals :	:	:	:	:	:	:
carried to :	:	:	:	:	:	:
Appeal :	:	:	:	:	:	:
Boards.... :	638 :	910 :	1,444 :	839 :	779 :	800 :
Percent of :	:	:	:	:	:	:
Board Ap- :	:	:	:	:	:	:
peals on :	:	:	:	:	:	:
which super- :	:	:	:	:	:	:
visors' :	:	:	:	:	:	:
grades :	:	:	:	:	:	:
changed.... :	21.0 :	16.0 :	18.0 :	14.3 :	11.7 :	12.0 :
Quantity of :	:	:	:	:	:	:
grain pro- :	:	:	:	:	:	:
duced-crop :	:	:	:	:	:	:
year :	:	:	:	:	:	:
(1,000 bu) :	5,456,682 :	6,835,246 :	6,510,613 :	6,515,380 :	6,228,756 :	6,300,000 :
Quantity of :	:	:	:	:	:	:
grain in- :	:	:	:	:	:	:
spected :	:	:	:	:	:	:
(1,000 bu) :	1,944,430 :	4,650,822 :	4,811,939 :	4,284,334 :	3,998,266 :	4,000,000 :
Total number :	:	:	:	:	:	:
of certifi- :	:	:	:	:	:	:
cates issued :	1,325,667 :	2,520,570 :	2,566,938 :	2,328,847 :	2,392,843 :	2,382,800 :

c. Tobacco

- (1) In 1954 inspection service was maintained in all of the 171 established auction markets comprising 959 different warehouses. During the current year 4 new auction markets have been established for which inspection services are being provided. The slight decrease in the total pounds of tobacco inspected and graded at auction markets was more than offset by the quantity graded on a reimbursable basis for cooperative marketing associations.

(2) Volume of Tobacco Inspected, by Class

1954

Class of Tobacco	Number of		Sets of Buyers	Quantity		Percent Inspected
	Auction Markets			Sold	Inspected	
	Designated	Inspected		(1,000 Pounds)	Inspected	
Auction Markets						
Flue-cured	88	89	142	1,412,387	1,412,387	100
Fire-cured	9	9	13	45,806	45,806	100
Dark air-cured ..	10	10	6	26,274	26,274	100
Burley	58	59	67	597,189	597,189	100
Maryland	4	4	5	37,278	37,278	100
Total	169	171	233	2,118,934	2,118,934	100
Cooperative Marketing Assns.....					282,757	
Grand Total.....					2,401,691	

1955 (Estimated)						
Auction Markets						
Flue-cured	91	91	144	1,487,200	1,487,200	100
Fire-cured	9	9	13	61,600	61,600	100
Dark air-cured	10	10	6	31,975	31,975	100
Burley	59	60	69	616,600	616,600	100
Maryland	4	4	5	43,900	43,900	100
Total	173	174	237	2,241,275	2,241,275	100
Cooperative Marketing Assns.					276,050	
Grand Total					2,517,325	

4. Financing

a. Funds Available:

The work under this project relating to cotton and cottonseed, grain and tobacco and the standardization activities for all commodity groups are financed largely from the appropriation. For other commodities, fees collected for the service are used to pay a large part of the expenses of the inspection work.

The Agricultural Appropriation Act of 1952 authorized advances each year from the Commodity Credit Corporation as needed, in addition to other funds available, to assure ability to perform the classing of cotton and the grading of tobacco without charge to producers. The Corporation is reimbursed through subsequent appropriations to the extent necessary for costs of classing and grading commodities not placed under commodity loan.

b. Revenue and Net Cost of Service:

Certain items of revenue other than the earnings used to defray expenses are deposited to "Miscellaneous Receipts of the Treasury." The net cost of this project in 1954 to the taxpayer was about 4.2 million dollars, or 21 percent of the total cost of the program. In 1955, the cost to the taxpayer is estimated at about 5.5 million dollars, or 26.8 percent of the total cost.

5. Fees and Charges

a. Rates and charges in connection with activities under this project are changed from time to time as necessary to provide revenue more nearly commensurate with cost. Changes effected during 1954 and 1955 as well as those proposed to be made effective in fiscal year 1955 are shown in the following table.

Revisions in Fees and Charges, Fiscal Year 1954 and 1955				
Purpose of	Effect of		New Rate	Effective
Change	Change			Date
1. Appeal inspec-				
tions under	66-2/3% increase			
United States:	on carlot inspec-	\$5.00 per car		6-1-54
Grain Stand-	tion			
ards Act	50% increase on			
	cargo inspection	\$1.50 per 1,000 bu.		6-1-54
2. Inspection of	20% increase on			
grain products	inspection for			
vegetable oils	quantity, speci-			
etc.	fication and			
	condition	\$3.60 per hour		9-1-54
	20% - 25% in-	Involves 84 different		
	crease for car-	items with rates of		
	lot inspection	\$8.00 to \$25.00 per		
		carlot increased to		
		\$10.00 to \$30.00		9-1-54

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Cost of Inspection, Grading and Classing and Standardization Activity
and Cost of Program to Taxpayer, by Work Project

Fiscal Year 1954

Work Project	Total Cost of Activity				Income				Percent	
	Paid from Revenue Earned				to				of	
	Total	Reimburse- ment to Appro- priation	Trust Funds	Total	Paid from Appropriation	General Revenue Fund of Treasury	Not Cost to Tax- payer	Total Cost Charged to Taxpayer	Total Cost Covered by Revenue	
Inspection, Grading and Classing										
Cotton and Cottonseed...	2,879,420	1,164,676	--	1,164,676	1,714,744	1,671,928	42,816	1.5	98.5	
Dairy and Poultry products	4,753,748	--	4,692,275	4,692,275	61,473	4,621	56,852	1.2	98.8	
Fruits and Vegetables...	3,655,112	--	3,302,092	3,302,092	353,020	--	353,020	9.7	90.3	
Grain (In- cludes U.S. Grain Stand- ards Act)...	1,379,363	24,198	--	24,198	1,355,165	275,824	1,079,341	78.2	21.8	
Livestock, Meats and Wool.....	3,529,237	525	3,525,395	3,525,920	3,317	--	3,317	.1	99.9	
Naval Stores	42,291	--	17,916	17,916	24,375	--	24,375	57.6	42.4	
Rice, Hay, Beans, etc...	675,136	--	611,313	611,313	63,823	1,150	62,673	9.3	90.7	
Tobacco	1,893,806	350,508	--	350,508	1,543,298	2,020	1,541,278	81.4	18.6	
Total.....	18,808,113	1,539,907	12,148,991	13,688,898	5,119,215	1,955,543	3,163,672	16.8	83.2	
Standardization										
Cotton and Cottonseed...	370,627	1,404	--	1,404	369,223	78,640	290,583	78.4	21.6	
Dairy and Poultry Products	148,454	1,000	--	1,000	147,454	--	147,454	99.3	.7	
Fruits and Vegetables...	248,838	--	--	--	248,838	--	248,838	100.0	--	
Grain (In- cludes U.S. grain Stde.)	102,270	3,136	--	3,136	99,134	--	99,134	96.9	3.1	
Livestock, Meats and Wool.....	122,993	--	--	--	122,993	645	122,348	99.5	.5	
Naval Stores	9,638	--	--	--	9,638	294	9,344	96.9	3.1	
Rice, Hay, Beans, etc...	56,265	--	--	--	56,265	--	56,265	100.0	--	
Tobacco.....	50,626	--	--	--	50,626	--	50,626	100.0	--	
Total	1,109,711	5,540	--	5,540	1,104,171	79,579	1,024,592	92.3	7.7	
Total Inspection, Grading and Classing and Standardization Activity										
Cotton and Cottonseed...	3,250,047	1,166,080	--	1,166,080	2,083,967	1,750,568	333,399	10.3	89.7	
Dairy and Poultry Products	4,902,202	1,000	4,692,275	4,693,275	208,927	4,621	204,306	4.2	95.8	
Fruits and Vegetables...	3,903,950	--	3,302,092	3,302,092	601,858	--	601,858	15.4	84.6	
Grain (In- cludes U.S. Grain Stand- ards Act)...	1,481,633	27,334	--	27,334	1,454,299	275,824	1,178,475	79.5	20.5	
Livestock, Meats and Wool.....	3,652,230	525	3,525,395	3,525,920	126,310	645	125,665	3.4	96.6	
Naval Stores	51,929	--	17,916	17,916	34,013	294	33,719	64.9	35.1	
Rice, Hay, Beans, etc...	731,401	--	611,313	611,313	120,088	1,150	118,938	16.3	83.7	
Tobacco.....	1,944,432	350,508	--	350,508	1,593,924	2,020	1,591,904	81.9	18.1	
Total.....	19,917,824	1,545,447	12,148,991	13,694,438	6,223,386	2,035,122	4,188,264	21.0	79.0	

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Cost of Inspection, Grading and Classing, and Standardization Activity
and Cost of Program to Taxpayer, by Work Project

Fiscal Year 1955

Work Project	Total Cost of Activity						Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of total cost charged to Taxpayer	Percent of total cost covered by Revenue
	Paid from Revenue Earned			Paid from:						
	Reimb.	Trust	Advances	from	Appropri-					
	to	Funds	from	ation						
Total	Appro. 1/		Total	CCC 2/						
<u>Inspection, Grading and Classing</u>										
Cotton and cottonseed	\$3,250,075	\$675,700	\$37,275	\$712,975	\$580,000	\$1,957,100	\$1,409,310	\$1,127,790	34.7	65.3
Dairy and poultry products.....	5,000,775	--	4,900,775	4,900,775	--	100,000	--	100,000	2.0	98.0
Fruits and vegetables	3,595,330	--	3,375,330	3,375,330	--	220,000	--	220,000	6.1	93.9
Grain (Inclde. U. S. Grain Stds. Act).....	1,490,600	45,000	--	45,000	--	1,445,600	293,400	1,152,200	77.3	22.7
Livestock, meats and wool.....	3,181,195	--	3,181,195	3,181,195	--	--	--	--	--	100.0
Naval stores.....	45,270	--	19,170	19,170	--	26,100	--	26,100	57.7	42.3
Rice, hay, beans, etc.	658,855	--	658,855	658,855	--	--	--	--	--	100.0
Tobacco.....	2,152,600	421,200	--	421,200	220,000	1,511,400	2,400	1,729,000	80.3	19.7
Total.....	19,374,700	1,141,900	12,172,600	13,314,500	800,000	5,260,200	1,705,110	4,355,090	22.5	77.5
<u>Standardization</u>										
Cotton and cottonseed	343,300	29,400	--	29,400	--	313,900	51,750	262,150	76.4	23.6
Dairy and poultry products.....	97,500	1,000	--	1,000	--	96,500	--	96,500	99.0	1.0
Fruits and vegetables	321,500	--	--	--	--	321,500	--	321,500	100.0	--
Grain (Inclde. U.S. Grain Stds. Act).....	99,100	1,500	--	1,500	--	97,600	--	97,600	98.5	1.5
Livestock, meats and wool.....	111,700	--	--	--	--	111,700	--	111,700	100.0	--
Naval stores.....	9,300	--	--	--	--	9,300	300	9,000	96.8	3.2
Rice, hay, beans, etc.	55,900	--	--	--	--	55,900	--	55,900	100.0	--
Tobacco.....	55,400	--	--	--	--	55,400	--	55,400	100.0	--
Total.....	1,093,700	31,900	--	31,900	--	1,061,800	52,050	1,009,750	92.3	7.7
<u>Total Inspection, Grading and Classing and Standardization Activity</u>										
Cotton and cottonseed	3,593,375	705,100	37,275	742,375	580,000	2,271,000	1,461,060	1,389,940	38.7	61.3
Dairy and Poultry products.....	5,098,275	1,000	4,900,775	4,901,775	--	196,500	--	196,500	3.9	96.1
Fruits and vegetables	3,916,830	--	3,375,330	3,375,330	--	541,500	--	541,500	13.8	86.2
Grain (Inclde. U. S. Grain Stds. Act).....	1,589,700	46,500	--	46,500	--	1,543,200	293,400	1,249,800	78.6	21.4
Livestock, meats and wool.....	3,292,895	--	3,181,195	3,181,195	--	111,700	--	111,700	3.4	96.6
Naval stores.....	54,570	--	19,170	19,170	--	35,400	300	35,100	64.3	35.7
Rice, hay, beans, etc.	714,755	--	658,855	658,855	--	55,900	--	55,900	7.8	92.2
Tobacco.....	2,208,000	421,200	--	421,200	220,000	1,566,800	2,400	1,784,400	80.8	19.2
Total.....	20,468,400	1,173,800	12,172,600	13,346,400	800,000	6,322,000	1,757,160	5,364,840	26.2	73.8

1/ Includes amounts reimbursed by CCC for grading tobacco and classing cotton placed under loan.

2/ Reflects costs incurred under funds advanced by CCC for grading tobacco and classing cotton not placed under loan.

Revision in Fees and Charges, Fiscal Years 1954 and 1955 (Cont'd.)

Purpose of Charge	Effect of Change	New Rate	Effective Date
3. Cotton fiber and spinning testing	18% increase per inspection	Involves 91 different fees of which 24 were newly established in 1954; 46 increased; and 21 reduced	8-1-54
4. Cottonseed review grading	50% increase	\$9.00 per inspection	1-22-54
5. Poultry grading	10% increase in total revenue	\$4.00 per hour	4-1-54
6. Poultry inspection	5% increase in total revenue	\$4.00 per hour	4-1-54
7. Poultry grading	1.7% decrease in total revenue	Administrative charge applied to bill for resident grading reduced by 5%	8-1-54
8. Poultry inspection	2-1/2% decrease in total revenue	Administrative charge applied to bill for resident inspection reduced from 12% to 9-1/2%	8-1-54
9 Poultry inspection	Increase in charge for overtime work as provided in P.L. No. 763	Charge for overtime work increased from \$2.90 per hour to \$3.65	11-1-54
10. Processed fruit and vegetable inspection	10% increase in total revenue	Involves 90 different fees of which all major items were increased 5 to 33%	7-1-54
11. Fresh fruit and vegetable inspection	Increase in charge to compensate for additional cost for work performed outside regular work week (P.L. 763)	Hourly rate increased from \$3.60 to \$5.10 for work required outside regular work week	1-1-55

C.

FREIGHT RATE SERVICES

Current Activities:

This activity assists in obtaining and maintaining equitable transportation rates and service on farm products and farm supplies through the Department's participation in cases before the Interstate Commerce Commission and other regulatory bodies and informal negotiations with carriers and groups of carriers.

Selected Examples of Recent Progress and Trends:

1. Action Taken during Fiscal Year 1954

- a. The Department participated in 72 formal litigation actions before the Interstate Commerce Commission and other regulatory bodies and carried on 37 informal negotiations with carriers and carrier associations. These actions affected every State and some offshore territories.
- b. The various agricultural commodities or rates affected by the above actions are as follows:

<u>Commodity or Rate</u>	<u>Number of Actions</u>
Cotton and cottonseed	4
Dairy and poultry products	12
Fruits and vegetables	13
Grain and grain products	14
Livestock and meats	11
Wool and mohair	2
Fertilizer and fertilizer material	6
Fish and fishery products	4
Agricultural implements	2
General motor carrier rates	16
General rail rates	16
General water rates	7
General air rates	2
Total	109

- c. This was an increase of about 5 percent over the number of cases in which the Department participated in 1953. Of these actions 36 were concluded favorably to agriculture, 11 unfavorably, and 62 were still pending at the close of the year.

D. REGULATORY ACTIVITIES

Current Activities:

Regulatory activities involve the administration of the Standard Container, United States Warehouse, Federal Seed, Packers and Stockyards, Tobacco Plant and Seed Exportation Acts, and the regulatory features of the Naval Stores Act. These acts regulate various marketing activities, and the administration of each includes two or more of the following: (1) licensing or registration, (2) supervision of operations of licensees, (3) collection and testing of samples, and (4) handling of violations.

Selected Examples of Recent Progress and Trends:

1. Federal Seed Act

a. Import Actions

Importations of 130.6 millions pounds of agricultural and vegetable seeds valued at \$20,000,000 exceeded by 10.3 million pounds the highest previous annual importation. Continued large importations are anticipated. The importations were of 105 kinds, consisting primarily of cereal, grass and forage crops from 24 countries. The principal sources were Canada, Denmark, Holland, Italy, Great Britain, Ireland and New Zealand. 19 carloads of rye imported for seeding purposes were illegally declared for other than seeding. 5 carloads were refused admission due to noxious-weed seed content but were released later after cleaning to remove the weed seeds.

Import Activities, Fiscal Years 1946, 1947, 1952-1955

Activity	:1946	:1947	: 1952:	1953:	1954:	1955
	:	:	:	:	:	:(est.)
Total import actions ^{1/}	:3,736:	5,791:	8,045:	9,427:	9,335:	9,000
Lots offered for importation	:3,448:	5,399:	7,727:	9,085:	8,803:	8,500
Lots permitted entry as offered	:3,063:	4,858:	7,186:	8,259:	8,419:	8,200
Lots denied entry as offered	: 385:	541:	541:	403:	340:	300
Kinds of seed imported	: 83:	101:	111:	112:	105:	105
Pounds of seed offered for importation (millions)	: 70.5:	69.1:	97.8:	120.3:	130.6:	135.0

^{1/} Includes action taken on lots rejected once and acted on again after cleaning, etc.

b. Interstate Violations

Apparent violations of the interstate provisions of the Act were 20 percent more than in 1953. The 1,103 new cases involved apparent violations in 42 States. There is a continuing increase in the cooperative

participation of State officials in the enforcement of the provisions of the Act. Although there are now 350 State inspectors authorized to inspect seed in interstate commerce, less than percent of such seed can be inspected to determine compliance with the law. State reports of false labeling as to variety continues to stress the need for expanded Federal activity in this field.

Interstate Investigations and Actions,
Fiscal Years 1946, 1947, 1952, 1953, 1954, 1955

	1946	1947	1952	1953	1954	1955 (est.)
<u>Cases for investigation:</u>						
Total to be investigated	785	1199	1236	1414	1699	1600
Investigations completed	623	768	770	818	1062	900
Pending at end of year	162	431	466	596	637	700
<u>Administrative actions:</u>						
No action warranted	96	160	231	237	365	350
Warnings issued	381	539	447	485	574	550
Cited for hearings	79	94	119	131	189	175
Seizures recommended	9	4	32	21	6	5
Criminal actions recommended ^{1/}	44	61	177	33	30	25
	(11)	(24)	(34)	(16)	(13)	(10)
<u>Court actions:</u>						
Criminal actions terminated ...	9	16	15	36	20	15
Criminal actions pending end						
of year	12	16	39	19	12	12
Seizure actions terminated	3	6	58	26	9	8
Seizure actions pending end						
of year	5	3	9	4	1	2

^{1/} Often several alleged violations are combined into one court action. The number of court actions involved is shown in parentheses.

c. Seed Testing

Volume of Seed Testing Work, Fiscal Years 1946,
1947, 1952, 1953, 1954, 1955

Activity	1946	1947	1952	1953	1954	1955(est)
Seed samples tested in con-						
nection with imports (includes:						
check tests)	3,688	5,590	7,988	9,501	9,349	9,100
Interstate shipments	5,057	8,603	2,950	4,405	2,812	2,500
Variety tests	2,127	2,121	456	659	149	100
Miscellaneous	1,130	1,021	675	608	796	500
Total tests	12,002	17,335	12,069	15,173	13,106	12,200

- d. Federal cooperation with the Seed Laboratory at Corvallis, Oregon was discontinued and the co-operative agreement with the State of Oregon terminated effective June 30, 1954. The work formerly performed in this laboratory is now being done in the laboratories at Sacramento and Minneapolis.

2. Naval Stores and Tobacco Export Permits

a. Naval Stores

During the past fiscal year 200 samples were collected for purposes of checking condition, quality, purity, and proper label description. No willful or fraudulent infractions of the Act were encountered but there were 22 instances in which some phase of the Act or regulations thereunder were not fully observed by vendors. These applied chiefly to the sale of various kinds of turpentine, but there were also some cases of misgraded rosin sold. Objectionable wording of labels on cans of turpentine and petroleum-base paint thinners were also found. Formal citation was not necessary since corrective action was taken through letter notices. Numerous letters were written to interpret various phases of the provisions and requirements of the Act and also to comment on or approve proposed labels intended for use on small containers of turpentine or competing paint thinners.

b. Tobacco Export Permits

34 certificates were issued during the year for the exportation of tobacco seed for experimental purposes.

3. Packers and Stockyards Act

a. Posting, Registration and Licensing

(1) Posting, Registration and Licensing Activities as of June 30, Fiscal Years 1948-1955

Activity	:1948	:1949	:1950	:1951	:1952	:1953	:1954	:1955(est)
Yards posted	: 207:	: 206:	: 303:	: 333:	: 327:	: 325:	: *322:	: *324
Market agencies and	:	:	:	:	:	:	:	:
dealers registered :	: 4972:	: 4462:	: 4639:	: 4775:	: 4963:	: 4965:	: 4985:	: 7085**
Packers under super-	:	:	:	:	:	:	:	:
vision	: 2123:	: 2148:	: 1997:	: 1950:	: 1911:	: 1914:	: 1901:	: 1910
Poultry dealers	:	:	:	:	:	:	:	:
licensed	: 1603:	: 1608:	: 1576:	: 1563:	: 1426:	: 1365:	: 1324:	: 1300
	:	:	:	:	:	:	:	:

* An estimated additional 305 yards are eligible for posting and subsequent supervision. ** Prior to September 1, 1954 it was not mandatory that packer buyers be registered under the Act. New regulations effective 9-1-54 require that packer-buyers now be registered.

- (2) Bonds on file by registrants under the Act to assure payment for livestock purchased or sold totaled approximately \$46,346,000 representing an increase over the previous year of over \$2,000,000. Requests for increases in tariff charges amounting to about \$1,100,000 were filed during the year. These requests were scaled down to \$850,000 through informal negotiations, thus resulting in a reduction of approximately \$250,000.

b. Supervision and Enforcement

- (1) During the year 1,954 tests were made of 802 livestock scales at posted terminal and auction markets: 788 tests were made of 358 livestock scales owned or operated by packers; and 256 tests were made of 180 poultry scales--an average of 2.2 tests per scale. Scales found to be inaccurate were required to be adjusted before re-use.
- (2) Investigations made throughout the year disclosed instances of collusion, bribing, falsifying weights and accounts, selling diseased animals and other violations of the Act. Criminal action was recommended in 9 cases, Cease and Desist Orders issued to 31 registrants under the Act, 25 convictions and 8 civil actions on cases submitted to the Justice Department and fines levied in excess of \$50,000. This year saw the end of the weighing fraud at Chicago with criminal actions being taken against 60 dealers and 25 weighmasters.
- (3) There were 130 audits completed during the year which were the basis for 23 stipulations with parties subject to the Act, 24 formal administrative actions, 16 complaints for the recovery of civil penalties amounting to \$28,475, and recommendations for criminal action in 9 cases. There were 377 informal and 12 formal complaints made by livestock shippers claiming money damages for various infractions of the Act resulting in settlements totaling over \$81,000. Seven reparation complaints pending at the end of the year totaled \$117,850.
- (4) During 1955 it will be necessary to reduce the number of supervisory visits to outlying districts from 5 or 6 per year to 3 or 4.

- (5) During 1955 the Cleveland district office and the Louisville suboffice were closed and the work previously conducted from these offices transferred to other districts. The New York City headquarters office will be moved to Lancaster, Pennsylvania on or about January 24, 1955. New York City will be continued as a suboffice of Lancaster to handle poultry work.
- (6) Analysis of Formal Proceedings under the Packers and Stockyards Act, Fiscal Years 1948-1954

Activity	:1948	:1949	:1950	: 1951:	1952:	1953:	1954
Cases pending first of year	:	:	:	:	:	:	:
New cases	59	55	23	36	78	54	33
Cases reopened	16	29	65	116	26	52	29
Total cases requiring action	16	16	18	3	33	29	17
Cases disposed of	:	:	:	:	:	:	:
Cases pending end of year	91	100	106	155	137	135	79
	36	77	70	77	83	102	58
	:	:	:	:	:	:	:
	55	23	36	78	54	33	26

4. Standard Container Acts

a. Tests Made and Samples Obtained

- (1) There were approximately 183 factories making or equipped to make containers at the close of business June 30, 1954, as compared with 188 in 1953. During the past fiscal year tests were made of sample containers obtained from 113 factories.

A total of 349 items (2,269 samples) were examined during the year. Of this number 91 or 26.1 per cent required correction. During the year corrections of 62 items were accomplished and certificates of approval issued in 33 cases. Two factories were found to be making illegal packages, but since both operators had discontinued making these packages before the investigations were made, no legal action was taken. A complaint made against a third manufacturer was investigated and it was found that the complainant was in error and no legal action was necessary.

5. United States Warehouse Act

a. Licensed Warehouses and Capacity

The number of warehouses licensed under the Act increased to 1,500 on June 30, 1954--56 more than a year ago. Of the 1,500 licensed warehouses, 952 were for grain, 482 for cotton and the remaining 66 for various other commodities.

During the year 48 new and amendments to existing licenses were issued to grain warehousemen increasing the grain storage capacity by 58.9 million bushels. Thirteen new licenses were issued to cotton warehousemen and the cotton storage capacity under license was increased by over half a million bales. During the first 3-1/2 months of fiscal year 1955 licensed grain capacity was further increased by over 50 million bushels and licensed cotton capacity was increased by more than 600,000 bales.

Number of Licensed Warehouses

Year	:	Total	Capacity (millions)	
			Grain	Cotton
	:	Number	(Bushels)	(Bales)
1940	:	1,291	187.7	10.1
1946	:	1,338	271.2	10.6
1950	:	1,483	380.1	11.0
1951	:	1,467	449.4	11.0
1952	:	1,434	459.7	11.0
1953	:	1,444	484.4	10.5
1954	:	1,500	543.3	11.0

b. Inspection

The average number of supervisory examinations by warehouse examiners further decreased from 2.50 in 1953 to 1.98 in 1954, principally because of the increase in licensed capacity and the heavy occupancy of such space. This is a continuation of the trend which has developed over the past ten years. For example, on June 30, 1953 in the area served by the Memphis office, the licensed cotton warehouses had in store 750,000 bales while on June 30, 1954 the amount in the same warehouses was about 2,025,000 bales. Similar situations prevail in other cotton areas as well as in the grain areas. It is evident that with such an increase in the amount of cotton and grain in store, it will not be possible to maintain even the present average number of inspections.

The decreasing frequency of the examinations and the consequent lengthening of time between examinations has been accompanied by an increase in irregularities. Extended investigations were made as a result of charges made by warehousemen in violation of their tariffs. Investigations of charges of irregular and improper weighing practices were also made.

6. Federal Cost of Regulatory Activities

	: 1954	: 1955 (Est.)
Total cost of activity ...	: \$1,561,562	: \$1,514,500
Less reimbursements	: 886	: ---
Paid from appropriation.	: 1,560,676	: 1,514,500
Less income to General	:	:
Revenue Fund of Treasury.	: 63,253	: 50,000
Net cost to taxpayer....	: 1,497,423	: 1,464,500
Percent of total cost	:	:
charged to taxpayer.....	: 95.9	: 96.7
Percent of total cost	:	:
covered by revenue.....	: 4.1	: 3.3

E. ADMINISTRATION AND COORDINATION OF STATE PAYMENTS

Current Activities:

This project covers the administration and coordination of the Federal matched-fund cooperative marketing service work performed by the State with the assistance of Federal funds provided under the appropriation "Payments to States, Territories and Possessions." During 1954 this work was carried on through 78 approved line projects by 34 States and Territories, about the same as in 1953. During the current year it is estimated that 90 projects will be under way in 37 States and Territories.

Selected Examples of Recent Progress and Trends:

A 4-day workshop was held in Louisville, Kentucky by 113 officials representing 30 States. The workshop approach has proved highly successful in this field. Initiated in 1952 on a functional basis, it was changed to a commodity working group arrangement in 1954. Federal and State marketing officials in the various commodity fields exchange ideas and suggest ways and means of improving marketing techniques. Progress reports and program proposals relating to future work resulting from the workshop were made to State Departments of Agriculture and to the Industry Advisory Committees for citrus fruits, cotton, dairy products, deciduous fruit and tree nuts, grain, livestock, potatoes, poultry products, seeds, tobacco and vegetables.

Eleven publications were issued by State marketing agencies in 1954 based on results of these projects conducted under the matched-fund programs.

(b) Payments to States, Territories, and Possessions

Appropriation Act, 1955, and base for 1956	\$900,000
Budget Estimate, 1956	<u>1,000,000</u>
Increase - (for additional marketing service work by State Departments of Agriculture and similar agencies under matched funds projects)	<u>+100,000</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase	1956 (estimated)
Payments for marketing service work under Sec. 204(b) of the Agricultural Marketing Act of 1946	\$578,999	\$900,000	+\$100,000(1)	\$1,000,000
Transfer in 1955 estimates from "Agricultural Mar- keting Act, Agriculture"	-578,999	- -	- -	- -
Total appropriation or estimate	- -	900,000	+100,000	1,000,000

INCREASE

(1) Increase of \$100,000 for additional matched-fund marketing service work by State Departments of Agriculture and other appropriate State agencies.

Need for Increase: The proposed increase in matched-fund marketing service work is needed to provide additional funds to the States in meeting the needs of producers and distributors for assistance in applying research results and improved marketing practices to the marketing of farm products. The distinguishing feature of this program is that it mobilizes into a systematic effort the resources of State agencies and the accumulated experience of a large number of State officials engaged in service to agriculture in the field of marketing. Federal contributions achieve much more widespread coverage and effect by reason of this cooperative arrangement. The proposed work, together with that currently being performed under the program, can be expected to contribute significantly to the Department's total agricultural marketing program by the performance of urgently needed, practical marketing service work, predominantly on a local or area basis.

In view of high marketing costs and mounting surpluses of farm products, the demand for services of this type is growing. The accomplishments of the projects now being carried on in the States under this program, and the scope of the agricultural marketing

problem, have sharply pointed up the need for additional assistance to State Departments of Agriculture in improving the effectiveness of their marketing service activities through this matched-fund work. The Commodity Advisory Committees operating under the Agricultural Marketing Act have generally recommended increases in this program as one of the most effective means of attacking local and State marketing problems.

The requested increase will permit wider application of marketing research results, greater use of better marketing methods to improve and maintain product quality, and the development and use of market data to move abundant supplies to their best market. Particular emphasis will be placed on the following problems in which the need is most pressing.

a. Expanding Markets for Commodities in Surplus Supply (\$50,000)

The success of several State Departments of Agriculture in programs to help growers, shippers and processors move surplus products has resulted in increased interest in expanding this type of service work. For instance, for fruits and vegetables, markets are being found for seasonal surpluses which otherwise might be sold at a loss, as a result of programs which provide truckers, wholesale and retail buying organizations, processors, and other potential buyers with up-to-date, detailed, local and area information on expected production, acreage, variety, quality, location of supplies, and prices of items in seasonal surplus. In addition, promotional assistance is being provided producers, dealers and retailers in encouraging increased consumption in local and nearby markets during the periods in which supplies are especially abundant. For dairy products, some State Departments of Agriculture plan to provide promotional assistance the year round, though at a reduced level, during the period when supplies are not at their peak.

Other programs involve the development of information, though area and national surveys, on commodities such as potatoes, butter, apples, and spinach with respect to wholesale and retail practices, trade acceptance of various varieties and grades, types of packages and containers desired, and the possibility of developing distribution in new areas or to new types of users.

b. Preventing Waste, Spoilage, and Loss of Product Quality (\$25,000)

It is planned to expand services to assist in preventing waste, spoilage and loss of product quality in the various channels of distribution. The poor quality of much farm produce at the time it is offered for sale at retail stores is currently one of the principal deterrents to market expansion. Waste and spoilage continues at every stage of the marketing process to be a major cause of unprofitable operations.

It is proposed to expand marketing services which bear on quality improvement of dairy products by assisting farmers, plant managers and dealers in improving assembling practices,

and in determining the causes of poor quality at the various stages of processing and marketing. Assistance will be given to producers, distributors and dealers in the proper methods of moving dairy products to, within, and from the plant, and in storage, in order to insure quality maintenance throughout the distribution system.

An expansion is also contemplated in service work for improving the quality of poultry, eggs, fruits and vegetables. For eggs, emphasis will be placed on better grading and packaging methods; for poultry, assistance will be provided in the adoption of more sanitary processing and eviscerating methods, and approved marketing practices; and for fruits and vegetables, the important problems to be attacked are the need for harvesting at proper stage of maturity, the use of better packs of uniform quality, use of containers that will preserve quality, application of approved methods of cooling prior to and during shipment, and adoption of practices which will reduce over-maturity at time of delivery, bruising and quality deterioration.

c. Reducing Handling and Marketing Costs (\$25,000)

Two of the most effective ways to reduce costs of marketing farm products are to get the most efficient equipment and methods used in handling at each step in the marketing system and where necessary to improve marketing facilities. Accordingly, part of the increase would be used (1) to expand service work in improving existing facilities and in designing and locating new facilities such as livestock auctions, poultry processing plants, grain elevators, milk plants, country fruit and vegetable assembly markets, and terminal markets; and (2) to assist marketing agencies in determining the kinds of handling equipment and methods best suited to their operations.

The above are examples of the types of work which would be expanded with the proposed increase. This work together with that currently being performed under this program will provide a wider application of marketing research results and improved marketing practices to local and regional marketing problems.

Plan of Work: Based on the approval by the Department of projects proposed by the States, which will most effectively carry out the objectives of the program, the funds would be allotted to the States. These funds, with at least an equal amount supplied by the States, would be used to carry on the work under the approved projects.

STATUS OF PROGRAM

Current Activities:

Allotments to States as authorized by Section 204(b) of the Agricultural Marketing Act of 1946 are made under cooperative agreements between the United States Department of Agriculture and State Departments of Agriculture, Bureaus of Markets and similar State agencies, for the conduct by these agencies of eligible marketing service activities on a matched-fund basis.

An increasing volume of marketing research results is becoming available. For maximum usefulness these results must be applied and adapted to specific problems confronting individuals and firms involved in marketing from the farm gate through the retail store. The matched-fund marketing service program through the State Departments of Agriculture has been geared toward providing such assistance on a local or area basis. Through timely, on-the-spot assistance, this program has made many substantial contributions which have resulted in expanding outlets, reducing losses, and increasing returns to farmers in the marketing of their products.

A State is required to make available at least an equal amount from its own funds, which must be in addition to any funds available for marketing service and research work in the State prior to August 14, 1946. The agreements covering allotments include appropriate provisions for preventing duplication or overlapping of work within the State or States cooperating. Should such duplication occur subsequent to approval of a cooperative project or allotment of funds, the Secretary is authorized and directed to withhold any unexpended balances on such projects.

No formula is applied for distributing these payments. Payments to each State are based upon an evaluation of the relative urgency of the marketing service problems confronting the State; the probable effectiveness of the proposed plans for solving or alleviating the problems; the ability of the State to carry out the programs proposed; and the availability of Federal matching funds.

Thirty-four States, Puerto Rico, Hawaii, and Alaska, through their Departments of Agriculture or similar agencies, are attacking marketing problems with the assistance provided by the payments authorized in this program. Major emphasis is currently directed to improving efficiency in product handling and preparation for shipment, in maintaining proper conditions in transit storage, and processing plants; encouraging the adoption of improved methods in selecting, grading,

packing and packaging farm products, assistance in movement of seasonal surpluses of agricultural products by furnishing special, local market information to prospective buyers concerning the location, quantity, quality, and probable dates of peak movement to market conducting experimental market news projects; and cooperating with interested groups in promoting expansion of consumption of dairy products, poultry products, and fruits and vegetables.

Selected Examples of Recent Progress:

1. Quality of Minnesota milk improved. Under the sponsorship of the State Department of Agriculture, the State Mobile Bacteriological Laboratory moved about the State examining raw milk, milk in various stages of processing, and pasteurized dairy products, to ascertain sources of contamination and to form a basis for suggesting measures to plant managers for quality improvement. By showing plant managers where improvements can be made in handling milk, the quality and purity of fluid milk and milk products has been noticeably improved in those communities which the laboratory has been able to service.
2. Premium for vegetables received by Mississippi growers. As a result of recommendations by State Department of Agriculture specialists on proper shipping maturity on watermelons, and notifications to out-of-State buyers of exact harvest dates, growers realized a premium over usual returns of \$300,000 or \$50 per acre. Under a coordinated marketing program, conducted by the State Department of Agriculture, growers of field peas and lima beans diverted substantial quantities of these products from canneries to the fresh market, realizing a premium of 6 cents per pound above the canner's price. Firm ripe tomatoes in 1/2 bushel baskets brought 5 to 10 cents more per pound in terminal markets than green tomatoes in bushel baskets, and the usual stage of maturity and size of package used by growers selling in such markets.
3. North Carolina producers increased savings through improved grain handling methods. Since 1948, the State Department of Agriculture has carried on a program of grain facility improvement and expansion. In addition, the State Department of Agriculture has cooperated with the State College in improving grain grading by producers, grain dealers and elevator operators. As a result, producers have saved an estimated 20 cents per bushel for commercial grain due to reduced losses from excessive moisture, less damage by rodents and insects, adoption of bulk handling in place of bags, and establishment of a daily cash market related to terminal market prices.

4. Successful butter quality improvement program adopted in Wisconsin. Through the assistance of State Department of Agriculture specialists, a number of Wisconsin creameries adopted improved butter handling and distribution methods. The State Dairy and Food Control laboratory estimated that as of January 1953, over 80 percent of the butter sampled was 90 score or better - a 16 percent improvement over the samples scored two years earlier and 8 percent better than for 1952. If the quality improvement program were adopted by the entire industry, net returns to Wisconsin farmers would approximate 1-1/2 million dollars for a similar two-year period.
5. North Carolina tobacco grading and handling program increased returns to growers. Service work by the State Department of Agriculture under this program in tobacco sorting, conditioning and other preparation for market, netted growers an estimated several hundred thousand dollars above ordinary returns. This was accomplished by such activities as adoption by 2,000 growers of improved methods of sorting and conditioning tobacco, issuance of over 70 periodic news releases to press and radio giving recommendations on the preparation of tobacco for market, and distribution of over 5,000 copies of the North Carolina Tobacco Report containing similar information.
6. Quality and distribution of Louisiana's fluid milk improved. Producers and distributors of fluid milk in Louisiana were assisted by the State Department of Agriculture in a quality improvement program and the development of a system of classifying milk according to end use such as for the fluid milk market or for manufacturing use. In addition, assistance was provided in the movement of surplus milk during the flush season to plants and markets in and out of the State by daily reports on the location of surplus and deficit areas. As a result of this program, profitable outlets were found for many thousands of gallons of milk in fluid milk markets which otherwise would have been sold at lower prices for manufacturing purposes.
7. Handling practices for Colorado potatoes being improved. The State potato industry, cooperating with the State Department of Agriculture, is continuing a program designed to give first-hand information to producers and shippers in the San Luis Valley on the quality and acceptability of potatoes shipped from the Valley, and on the marketing of low grade potatoes. During the 1952 season, 42 carloads of U. S. No. 1 grade Red McClure potatoes were followed from shipping points to wholesalers and retail establishments in 9 nearby States. Careless and improper handling were the cause of considerable loss in quality by the time the potatoes reached the consumer. Efforts are now being made to supervise more closely the grading, packing, and loading at shipping and terminal points.

8. Income increased through improved handling and grading of eggs in Kansas. The State Department of Agriculture conducted a quality improvement program in cooperation with the Kansas State College. Grading schools were conducted and official grading stations for eggs were established at a number of points. Eggs were candled, packaged and labeled with the official Kansas grading and distributed to approved market outlets. On the basis of volume handled, it is estimated that Kansas egg producers who availed themselves of this service received an additional \$31,000 from the sale of graded eggs during the past year.
9. Markets expanded through poultry quality improvement in Michigan. The demand for high quality eviscerated Michigan poultry has markedly increased as a result of a market expansion program and a continuous program of quality improvement, including assistance in the adoption of approved marketing, processing and eviscerating methods. According to members of the industry, producers realized an additional \$500,000 from poultry sales as a result of these programs.
10. Marketing decisions facilitated through expanded hog information program in the Middle West. The Iowa State Department of Agriculture initiated a quarterly market report on sow farrowings in lieu of a semi-annual report to serve as an aid in forecasting shipments of hogs to market. Producers found the more frequent reporting valuable in making marketing decisions. The value of this report was soon recognized throughout the Middle West, and a similar reporting schedule was established in five other important hog producing States, namely Indiana, Illinois, Wisconsin, Minnesota and Kansas. These States exchange information through their Federal-State Statisticians, thereby providing producers with a means of keeping in touch with regional developments.
11. Consumer resistance overcome through improved marketing practices for Maryland peaches. Consumer resistance has been encountered in the marketing of Maryland peaches due primarily to immature and excessively bruised fruit on the retail market. By showing peach producers the proper maturity for picking, and approved methods of packing and handling, tree-ripened fruit in 4-quart cardboard containers netted the grower an average of \$1.00 per bushel more than for fruit sold in the usual manner. Spoilage loss was less than 2 percent. Even when mature ungraded field-ripened peaches were delivered to retail stores in field crates, a premium of 50 cents per bushel was received.

12. Survey of markets for California olives utilized by trade in promotion program. "The Food Trade Marketing Survey for Canned Ripe Olives", a report of a survey conducted during the 1952-53 year, was published and distributed widely throughout the country to wholesale grocers and other segments of the food industry. The survey revealed that wide variations in olive size classification and the type of cans used by the trade was confusing retail buyers and adversely affecting market expansion. As a result, the State olive industry obtained statutory changes in standards of size classification. The Olive Advisory Board is utilizing the recommendations of the report in its nationwide olive promotion program.

Distribution of Payments. The distribution of allotments by States is shown in Table I and by fields of work in Table II.

TABLE I

DISTRIBUTION OF ALLOTMENTS BY STATES

State	Actual 1954	Estimated 1955
Alabama.....	\$ 7,000.00	\$ 7,800.00
Arizona.....	-	-
Arkansas.....	5,000.00	2,000.00
California.....	57,473.24	92,038.00
Colorado.....	2,000.00	25,007.00
Connecticut.....	-	-
Delaware.....	-	-
Florida.....	-	62,500.00
Georgia.....	-	-
Idaho.....	-	-
Illinois.....	17,500.00	28,000.00
Indiana.....	24,681.76	37,938.00
Iowa.....	10,000.00	10,000.00
Kansas.....	28,000.00	43,000.00
Kentucky.....	18,000.00	20,956.00
Louisiana.....	22,000.00	33,775.00
Maine.....	15,500.00	25,500.00
Maryland.....	10,000.00	17,000.00
Massachusetts.....	3,400.00	3,498.00
Michigan.....	12,110.21	12,662.00
Minnesota.....	23,437.29	28,745.00
Mississippi.....	21,000.00	32,050.00
Missouri.....	-	-
Montana.....	1,500.00	1,440.00
Nebraska.....	3,048.00	3,682.00
Nevada.....	-	-
New Hampshire.....	-	-
New Jersey.....	-	6,400.00
New Mexico.....	-	-
New York.....	22,124.00	21,813.00
North Carolina.....	50,000.00	63,041.00
North Dakota.....	11,000.00	11,000.00
Ohio.....	-	-
Oklahoma.....	20,000.00	20,000.00
Oregon.....	-	1,750.00
Pennsylvania.....	-	7,000.00
Rhode Island.....	-	-
South Carolina.....	8,950.00	6,028.00

TABLE I

State	Actual 1954	Estimated 1955
South Dakota.....	\$ 12,250.00	\$ 4,000.00
Tennessee.....	12,365.00	12,343.00
Texas.....	18,000.00	18,500.00
Utah.....	-	-
Vermont.....	-	-
Virginia.....	25,000.00	43,950.00
Washington.....	29,000.00	34,783.00
West Virginia.....	20,000.00	32,000.00
Wisconsin.....	43,616.00	69,787.00
Wyoming.....	3,000.00	11,107.00
Alaska.....	5,043.47	9,829.00
Hawaii.....	2,000.00	-
Puerto Rico.....	15,000.00	39,078.00
TOTAL.....	\$ 578,998.97	\$ 900,000.00

TABLE II
DISTRIBUTION OF ALLOTMENTS BY FIELDS OF WORK

Fields of Work	Actual 1954	Estimated 1955	Estimated 1956
Improvement and evaluation: of product quality.....	\$248,000	\$437,760	\$486,400
Improvement in market organization and facilities.....	202,532	167,760	218,600
Collection, analysis and dissemination of market data.....	128,467	294,480	295,000
TOTAL.....	\$578,999	\$900,000	\$1,000,000



(c) School Lunch Program

Appropriation Act, 1955 and base for 1956	\$83,236,197
Budget Estimate, 1956	68,000,000
Decrease	<u>-15,236,197</u>

SUMMARY OF DECREASES, 1956

Decrease due to elimination of funds for purchase and distribution of commodities pursuant to Section 6 of the National School Lunch Act	-15,000,000
Decrease in operating expenses relating to discontinuance of Section 6 purchases	-236,197

PROJECT STATEMENT

Project	1954	1955 (estimated)	Decreases	1956 (estimated)
1. Food assistance:				
(a) Cash payments	\$67,264,997	\$67,010,000	- - -	\$67,010,000
(b) Commodity procurement				
(Sec. 6)	14,853,066	15,000,000	-\$15,000,000(1)	- -
2. Operating expenses	1,069,372	1,226,197	-236,197(2)	990,000
Unobligated balance	48,762	- -	- -	- -
Total available or estimate	83,236,197	83,236,197	-15,236,197	68,000,000
Transferred to "Agricultural adjustment programs, Commodity Stabilization Service", pursuant to Public Law 286	+128,803	- -		
Total appropriation or estimate	83,365,000	83,236,197		

DECREASES

(1) Decrease of \$15,000,000 due to the elimination of funds for purchase and distribution of commodities pursuant to Section 6 of the National School Lunch Act.

The proposed decrease eliminates funds for the purchase and distribution of commodities under Section 6 of the Act. in view of the availability of large supplies of surplus commodities purchased and distributed under the Department's surplus removal and price support programs.

The availability of surplus commodities under Section 32 of the Act of August 24, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended, eliminates the need for large volume purchases under Section 6 of the National School Lunch Act. The continued distribution of Federally-donated commodities, consisting of food, most of which are necessary to a well-balanced meal will permit greater use of funds from sources within the States for the purchase of foods such as those which have been furnished

through Section 6 purchases, to complete the dietary needs of the children. In addition, the Agricultural Act of 1954 authorizes the use of \$50,000,000 of Commodity Credit Corporation funds in 1955 and 1956 for use in expanding increased consumption of fluid milk by school children. The status of the Special School Milk Program is outlined in the following pages.

The financing of the school lunch program is summarized as follows:

Item	1954	1955	1956
State contribution:			
Payments by children	\$303,276,000	\$335,000,000	\$360,000,000
Direct appropriations (State and local)	62,962,000	68,000,000	70,000,000
Other local contributions	51,782,000	57,000,000	62,000,000
Total 1/	418,020,000	450,000,000	492,000,000
Federal contribution:			
Cash payments	67,266,000	67,010,000	67,010,000
Commodity distribution:			
Section 6	14,826,278	15,000,000	- -
Section 32 and 416	94,217,791	79,000,000	102,000,000
Special milk program	- -	49,500,000	49,500,000
Total	176,310,069	210,510,000	218,510,000

1/ Contribution which might result from the Special Milk Program authorized for 1955 and 1956 cannot be estimated without further experience.

(2) Decrease of \$236,197 in operating expenses relating to discontinuance of Section 6 purchases.

The discontinuance of Section 6 commodity purchases will bring about a corresponding reduction in administrative work under this appropriation.

STATUS OF SPECIAL SCHOOL MILK PROGRAM

The Special School Milk Program, authorized by the Agricultural Act of 1954, authorizes the use of not to exceed \$50,000,000 of Commodity Credit Corporation funds for the fiscal year 1955 and the same amount for 1956, to be used to increase the consumption of fluid milk by children in nonprofit schools of high-school grade and under.

1. Purpose to expand markets for fluid milk and supplement the diets of growing children.
2. Operation
 - a. Funds are divided among the States on the basis of the number of school children between the ages of 5 to 17, inclusive, and the State's per capita income. The formula for cash payments to States under the School Lunch Program is used in allotting the funds to the States.

- b. The program is operated within the State by the State educational agency.
- c. For schools with a prior service of milk, reimbursement is made for all milk served in excess of the established milk-consumption base which represents normal consumption of milk by children in the school, and the maximum reimbursement rate is four cents for each one-half pint of milk served in excess of the base. For schools with no prior service of milk, there is no established milk consumption base and the maximum rate of reimbursement is three cents for each one-half pint of milk served.
- d. The additional milk may be served at any time during the school day and reimbursement may be made for as many additional half-pints as a child may drink.
3. Distribution of the funds - Of the \$50,000,000 provided for the program for 1955, \$49,500,000 has been divided among the 48 States and the District of Columbia. The remaining \$500,000 is being reserved for use in conducting experimental operations with the States to develop possible new and more effective methods of increasing availability and consumption of milk in schools.
4. The following table shows the amounts available for each State and the number of schools approved as of November 30, 1954 under the program:

State	Available	No. of Schools Approved	Total No. of Schools in State
Alabama	\$1,817,645	624	3,872
Arizona	319,810	239	591
Arkansas	1,142,955	776	2,278
California	2,383,192	656	5,004
Colorado	421,785	182	1,693
Connecticut	436,743	350	1,109
Delaware	69,993	64	240
District of Columbia	135,863	180	233
Florida	1,084,486	352	1,873
Georgia	1,754,943	960	3,376
Idaho	232,576	93	750
Illinois	1,955,512	2,000	5,400
Indiana	1,172,125	721	3,359
Iowa	821,997	883	7,257
Kansas	545,643	315	4,307
Kentucky	1,455,404	135	5,301
Louisiana	1,268,541	176	2,635
Maine	332,076	284	1,658
Maryland	668,562	100	1,256
Massachusetts	1,169,294	1,151	2,770
Michigan	1,785,401	1,957	5,153
Minnesota	995,752	1,157	5,645
Mississippi	1,632,668	663	4,318
Missouri	1,146,306	1,573	7,500
Montana	181,101	118	1,470

State	Available Ava	No. of Schools Approved	Total No. of Schools in State
Nebraska	408,375	172	6,792
Nevada	36,155	65	220
New Hampshire	160,989	171	683
New Jersey	1,080,857	660	2,303
New Mexico	331,071	276	861
New York	3,037,048	1,844	7,750
North Carolina	2,330,856	1,574	3,502
North Dakota	277,160	221	3,277
Ohio	2,017,100	1,038	4,875
Oklahoma	917,978	924	3,644
Oregon	435,526	165	1,457
Pennsylvania	2,846,512	1,147	8,638
Rhode Island	207,544	70	490
South Carolina	1,239,891	524	3,421
South Dakota	269,448	185	3,775
Tennessee	1,595,489	2,076	4,446
Texas	2,888,523	1,420	7,957
Utah	297,663	372	519
Vermont	142,080	225	938
Virginia	1,355,518	1/	3,273
Washington	631,734	775	1,617
West Virginia	937,292	610	4,157
Wisconsin	1,027,793	1,700	7,146
Wyoming	97,025	88	708
TOTAL	49,500,000	32,011	161,497

1/ 97 of 130 districts have been approved; number of individual schools not available.

STATUS OF PROGRAM

The School Lunch Program is designed to:

1. Broaden the market for agricultural food commodities by:
 - a. providing an expanded market for agricultural commodities through local purchases of food by school lunch programs in commercial channels of trade;
 - b. serving as a valuable outlet for agricultural commodities purchased by the Department to alleviate local and seasonal surpluses;
 - c. expanding the outlet for highly nutritious foods, particularly in areas of nutritional deficiencies;
 - d. introducing a wider variety of foods, thus creating a demand for commodities that many housewives would not otherwise buy.
2. Improve the health and well-being of the Nation's children by:
 - a. providing them a well-balanced lunch at school to help fill their daily nutritional requirements.

Experience indicates that children who get lunch under this program, compared with those who do not, show:

- (1) more rapid gain in weight and height;
 - (2) better attendance records;
 - (3) improvement in scholastic standing;
 - (4) better deportment;
 - (5) higher resistance to colds and other illnesses.
- b. Developing proper and nutritionally beneficial food habits which will continue in later life.

Current activity under the program includes:

1. Furnishing cash assistance to schools for food purchases by:
 - a. apportioning among the States and Territories a minimum of 75 percent of the total food assistance funds available on the basis of need as indicated by:
 - (1) State per capita income compared with United States per capita income;
 - (2) State population of children 5 to 17 years of age.

- b. paying the apportioned funds to State agencies on a quarterly basis to enable them to reimburse participating schools for a portion of the food cost of lunches served when the schools:
 - (1) agree to operate on a nonprofit basis;
 - (2) serve meals meeting minimum nutritional standards prescribed by the Secretary of Agriculture;
 - (3) offer luncheon to all children attending the school and serve it free or at reduced cost to children who are unable to pay the full cost;
 - (4) agree to purchase commodities designated by the Secretary of Agriculture as being in abundance.
 - c. paying the funds directly to participating private schools in the 27 States and Hawaii where State laws forbid disbursement of Federal funds by State agencies to private schools. (A proportionate share of the State's total apportionment is set aside for this purpose.)
2. Furnishing food items to schools for lunch programs by:
distributing to schools through State distributing agencies, commodities acquired under
- a. Section 6, National School Lunch Act. Purchases are limited to 25 percent of food assistance funds and commodities are purchased on the basis of their nutritional value and acceptability.
 - b. Removal of Surplus Agricultural Commodities (Section 32). Surplus commodities are purchased for donation to authorized outlets, including school lunch programs.
 - c. Commodity Credit Corporation. Commodities acquired under price support programs may be donated to authorized outlets, including school lunch programs. (Section 416, Agricultural Act of 1949, as amended.)
3. Furnishing administrative and technical assistance to State agencies and participating schools with respect to:
- a. handling of funds
 - b. purchase and storage of food
 - c. proper use of equipment
 - d. preparation and serving of meals
 - e. maintenance of records and preparation of reports.

4. Making reviews and audits which provide for:

- a. annual audits of the records of State agencies and selected schools;
- b. comprehensive administrative analyses of State agencies' operations under the program;
- c. administrative reviews in individual schools as necessary.

Examples of recent progress and trends:

The School Lunch Program furnished noon-day meals to about 30 percent of the Nation's 33,500,000 school children in the fiscal year 1954. This program also utilized almost 2.2 billion pounds of food, of which 1.8 billion pounds were purchased in local markets and 350 million pounds were donated by the Department.

A. Participation reached 10 million for the first time in 1954.

Participation in the National School Lunch Program
Fiscal Years 1953 and 1954, by month

Month	: Number of Schools 1/:		Number of Children	
	Fiscal Years			
	: 1953 :	1954 :	: 1953 :	1954 2/
July	: 1,626 :	4,438 :	166,185 :	176,234
August	: 4,806 :	5,483 :	564,320 :	709,451
September	: 48,497 :	49,641 :	8,577,406 :	8,813,754
October	: 54,183 :	53,864 :	9,495,869 :	9,814,172
November	: 56,851 :	56,337 :	9,794,896 :	10,139,221
December	: 57,808 :	57,010 :	9,696,817 :	9,982,303
January	: 58,364 :	57,479 :	9,304,483 :	9,970,965
February	: 58,400 :	57,748 :	9,347,397 :	9,878,021
March	: 58,422 :	57,701 :	9,381,795 :	9,769,436
April	: 57,061 :	56,710 :	9,082,659 :	9,315,847
May	: 51,236 :	51,367 :	8,263,313 :	8,832,898
June	: 17,246 :	18,456 :	3,140,018 :	3,338,064
Average, Sept. - June .	: 51,807 :	51,731 :	8,608,465 :	8,985,468
Change from average of	:	:	:	:
prior year	: / 2,136 :	- 76 :	/ 547,910 :	/ 377,003
Peak number	: 58,422 :	57,748 :	9,794,896 :	10,139,221
Peak month	: March :	February :	November :	November

1/ Year to year comparisons in number of schools participating are affected by the school consolidation program.

2/ Preliminary.

It is estimated that in 1955 participation will exceed 10.5 million children in over 56,000 schools.

B. Number of Each Type of Meal Served and Federal Reimbursement Rate

	No. of Meals Served:		Federal Reimbursement Rate 1/	
	1953	1954	1953 (Avg.)	1954 (Avg.)
	(billion)		(cents)	
Type A Meal (1/3-1/2 daily nutritional needs).....	1.2	1.4	5.0	4.7 (est.)
Type B Meal (same as A but in smaller quantities).....	2/	2/	not available	
Type C Meal (1/2 pint of milk only) .....	.4	.3	not available	
Total	1.6	1.7	4.2	4.0 (est.)
Meals served free or at reduced prices...	1 out of 10		---	---

- 1/ Maximum rate permitted: Type A-9 cents; Type B-6 cents; Type C-2 cents.
 2/ Less than 100 million

It is estimated that over 1.8 billion meals will be served in 1955 with estimated reimbursement rate of 4.0 cents.

C. Method of Financing the Program

Estimated Funds, by Sources

Item	Fiscal Year		Change
	1953	1954	1954 from 1953
<u>Federal Contribution:</u>			
Cash payments	\$67,178,839	\$67,266,000	✓ 87,161
Commodity distributions:			
Section 6	14,744,071	14,826,278	✓ 82,207
Section 32	51,724,476	94,217,791	✓ 42,492,315
Total	133,647,386	176,310,069	✓ 42,662,683
<u>State Contribution:</u>			
Payments by children...	275,926,000	303,000,000	✓ 27,074,000
Direct appropriations :			
(State and local) ...	57,162,000	62,000,000	✓ 4,838,000
Other local contributions	46,380,000	51,000,000	✓ 4,620,000
Total	379,468,000	416,000,000	✓ 36,532,000
Total	513,115,386	592,310,069	✓ 79,194,683
1/ Partially estimated.			

D. Benefits to Agriculture:

Commodities utilized during 1954 in the School Lunch Program cost approximately \$384,000,000. Of this amount, about \$275,000,000 was expended by schools locally--both Federal and State funds. The remaining \$109,000,000 is the estimated cost of 351,000,000 pounds of commodities which the Department purchased and distributed to schools under Section 6 of the National School Lunch Act, and Section 32 of the Act of 1935, as amended.

E. Commodities Distributed to the School Lunch Programs During Fiscal Years 1953 and 1954:

	Fiscal Year 1953		Fiscal Year 1954	
	Pounds	Amount	Pounds	Amount
<u>Section 6-National</u>				
<u>School Lunch Act:</u>				
Apricots.....	--	--	4,028,702:	\$1,488,661
Beans, can'd.green	4,323,000:	493,617:	--	--
Beans, dried.....	14,892,000:	1,287,208:	11,925,049:	1,143,651
Cheese.....	14,184,000:	6,139,018:	--	--
Grapefruit, canned.	6,149,000:	772,155:	6,836,680:	832,877
Orange juice,				
concentrated.....	--	--	3,941,376:	1,960,844
Peaches, canned...	8,913,000:	1,256,805:	34,679,938:	4,393,948
Peanut butter.....	3,654,000:	989,507:	5,667,598:	1,427,407
Peas, canned.....	7,835,000:	853,896:	11,822,736:	1,270,944
Tomatoes, canned..	16,195,000:	1,695,862:	17,487,697:	1,727,841
Tomato paste.....	8,041,000:	1,256,003:	4,099,350:	530,105
Total, Section 6	84,186,000:	14,744,071:	105,489,126:	*14,826,278

* Excludes \$26,788 representing loss in shipment and failure to meet specifications.

<u>Section 32-Surplus</u>				
<u>Removal:</u>				
Apples, fresh.....	605,924:	45,444:	--	--
Beans, dried.....	--	--	1,978,316:	237,398
Beef, canned.....	--	--	81,835,407:	32,856,916
Beef, frozen.....	315,623:	114,161:	32,901,888:	12,121,056
Butter.....	13,967,612:	10,175,405:	42,614,982:	29,532,182
Cheese.....	38,058:	15,067:	26,683,816:	10,406,690
Cherries.....	2,558,293:	338,718:	--	--
Cottonseed oil ...	436,787:	103,562:	4,399,580:	1,052,380
Cranberry sauce ..	--	--	3,883,216:	373,565
Eggs, shell.....	7,868,526:	2,843,314:	--	--
Honey.....	--	--	4,210,410:	837,872
Milk.....	11,030,650:	2,324,153:	13,462,379:	2,753,056
Olive oil.....	--	--	713,991:	277,957
Orange juice, conc.	3,979,451:	937,161:	--	--
Pears, fresh.....	17,265,530:	1,312,180:	4,184,574:	255,259
Pecans, shelled ..	--	--	581,550:	393,139
Pork products	20,278,018:	11,846,418:	--	--
Potatoes.....	--	--	17,730,078:	418,430
Cottonseed oil,				
(shortening)....	--	--	10,807,564:	2,701,891
Turkeys, frozen ..	38,611,704:	21,668,888:	--	--
Total, Section				
32.....	116,956,176:	51,724,476:	245,987,751:	94,217,791
Grand Total	201,142,176:	66,468,547:	351,476,877:	109,044,069

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

National School Lunch Program

TABLE I

Percentage of Schools and Children Participating
Fiscal Year 1954

State	Elementary and Secondary Schools			Children in Elementary and Secondary Schools		
	1/ Total:	2/ Number :	Percent	Total 1/:	Number 2/ :	Percent
	Number :	Participating :	Participation	Enrollment :	Participating :	Participation
Alabama	3,872 :	1,404 :	36.3	698,039 :	294,637 :	42.2
Arizona	591 :	273 :	46.2	182,007 :	64,796 :	35.6
Arkansas	2,278 :	947 :	41.6	423,927 :	170,096 :	40.1
California	5,004 :	3,143 :	62.8	2,017,364 :	697,450 :	34.6
Colorado	1,693 :	575 :	34.0	279,933 :	68,052 :	24.3
Connecticut	1,109 :	396 :	35.7	375,776 :	72,195 :	19.2
Delaware	240 :	89 :	37.1	61,219 :	13,157 :	21.5
District of Columbia	233 :	181 :	77.7	122,335 :	45,992 :	37.6
Florida	1,873 :	904 :	48.3	566,347 :	234,947 :	41.5
Georgia	3,376 :	1,409 :	41.7	764,013 :	308,992 :	40.4
Idaho	750 :	402 :	53.6	133,924 :	47,367 :	35.4
Illinois	5,400 :	3,216 :	59.6	1,560,988 :	600,598 :	38.5
Indiana	3,359 :	1,219 :	36.3	829,588 :	237,881 :	28.7
Iowa	7,257 :	992 :	13.7	554,424 :	157,484 :	28.4
Kansas	4,307 :	918 :	21.3	404,747 :	96,166 :	23.8
Kentucky	5,301 :	1,228 :	23.2	623,059 :	231,283 :	37.1
Louisiana	2,635 :	1,624 :	61.6	609,016 :	410,159 :	67.3
Maine	1,658 :	595 :	35.9	206,824 :	59,934 :	29.0
Maryland	1,256 :	690 :	54.9	460,247 :	154,747 :	33.6
Massachusetts	2,770 :	1,953 :	70.5	851,253 :	383,407 :	45.0
Michigan	5,153 :	2,213 :	42.9	1,341,970 :	427,617 :	31.9
Minnesota	5,645 :	1,237 :	21.9	610,167 :	211,254 :	34.6
Mississippi	4,318 :	1,109 :	25.7	549,437 :	192,593 :	35.1
Missouri	7,500 :	2,250 :	30.0	777,269 :	233,934 :	30.1
Montana	1,470 :	265 :	18.0	121,848 :	30,049 :	24.7
Nebraska	6,792 :	430 :	6.3	265,263 :	62,173 :	23.4
Nevada	220 :	68 :	30.9	38,848 :	8,186 :	21.1
New Hampshire	683 :	299 :	43.8	101,759 :	27,506 :	27.0
New Jersey	2,303 :	684 :	29.7	905,202 :	112,214 :	12.4
New Mexico	861 :	279 :	32.4	178,825 :	39,079 :	21.9
New York	7,750 :	3,399 :	43.9	2,726,181 :	1,008,269 :	37.0
North Carolina	3,502 :	1,554 :	44.4	922,461 :	446,187 :	48.4
North Dakota	3,277 :	667 :	20.4	130,075 :	41,673 :	32.0
Ohio	4,875 :	1,816 :	37.3	1,538,279 :	373,499 :	24.3
Oklahoma	3,644 :	1,696 :	46.5	522,620 :	154,975 :	29.7
Oregon	1,457 :	627 :	43.0	301,950 :	95,023 :	31.5
Pennsylvania	8,638 :	1,446 :	16.7	1,969,226 :	276,719 :	14.1
Rhode Island	490 :	112 :	22.9	141,358 :	20,213 :	14.3
South Carolina	3,421 :	1,089 :	31.8	517,785 :	225,005 :	43.5
South Dakota	3,775 :	292 :	7.7	132,306 :	25,217 :	19.1
Tennessee	4,446 :	1,907 :	42.9	694,942 :	289,961 :	41.7
Texas	7,957 :	2,500 :	31.4	1,553,649 :	406,008 :	26.1
Utah	519 :	355 :	68.4	171,009 :	63,122 :	36.9
Vermont	938 :	290 :	30.9	77,771 :	23,962 :	30.8
Virginia	3,273 :	1,287 :	39.3	661,839 :	239,341 :	36.2
Washington	1,617 :	901 :	55.7	502,635 :	136,408 :	27.1
West Virginia	4,157 :	1,424 :	34.3	450,759 :	132,600 :	29.4
Wisconsin	7,146 :	1,615 :	22.6	677,074 :	141,456 :	20.9
Wyoming	708 :	119 :	16.8	64,952 :	18,770 :	28.9
Total, Continental United States	161,497 :	54,088 :	33.5	30,372,509 :	9,812,353 :	32.3
Territories:						
Alaska	102 :	15 :	14.7	20,801 :	2,555 :	12.3
Hawaii	205 :	169 :	82.4	114,349 :	74,262 :	64.9
Puerto Rico	2,202 :	2,030 :	92.2	482,849 :	245,750 :	50.9
Virgin Islands	35 :	35 :	100.0	7,540 :	4,301 :	57.0
Total, Territories	2,544 :	2,249 :	88.4	625,539 :	326,868 :	52.3
Total, U.S. AND TERRITORIES	164,041 :	56,337 :	34.3	30,998,048 :	10,139,221 :	32.7

1/ Source: Latest data available from the U.S. Office of Education. Enrollment data and number of schools are for 1951-1952 except for the following States: Pennsylvania, Texas, 1950-51 for elementary public schools; Rhode Island, Vermont, Illinois, 1949-50 for elementary public schools; Indiana, Michigan, Missouri, Wisconsin, estimated for elementary public schools; Alaska, 1949-50 for public schools; Hawaii, Virgin Islands, 1949-50 for private schools.

2/ November 1953. The number of schools and children may have been higher in some States during other months, but November was the peak month in terms of children participating nationally.



UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

TABLE II

Estimated Value of Commodities Distributed to School Lunch Program
Fiscal Year 1954

State	Section 6	Section 32	Total
Alabama	\$507,077	\$2,743,384	\$3,250,461
Arizona	120,424	851,721	972,145
Arkansas	308,840	2,348,173	2,657,013
California	702,489	5,810,659	6,513,148
Colorado	133,202	1,012,905	1,146,107
Connecticut	125,295	834,816	960,111
Delaware	21,065	220,107	241,172
District of Columbia	13,664	187,916	201,580
Florida	397,201	2,378,349	2,775,550
Georgia	582,409	2,843,134	3,425,543
Idaho	93,003	410,411	503,414
Illinois	509,419	3,741,088	4,250,507
Indiana	379,670	1,785,893	2,165,563
Iowa	265,604	1,256,040	1,521,644
Kansas	168,191	1,313,516	1,481,707
Kentucky	434,955	2,509,335	2,944,290
Louisiana	783,696	4,774,889	5,558,585
Maine	77,657	395,086	472,743
Maryland	164,540	884,287	1,048,827
Massachusetts	229,786	3,315,972	3,545,758
Michigan	364,441	1,914,481	2,278,922
Minnesota	369,956	2,330,743	2,700,699
Mississippi	360,917	2,047,911	2,408,828
Missouri	399,757	2,241,835	2,641,592
Montana	55,099	250,802	305,901
Nebraska	63,136	466,317	529,453
Nevada	11,735	134,700	146,435
New Hampshire	52,263	291,049	343,312
New Jersey	206,508	2,447,767	2,654,275
New Mexico	84,574	795,528	880,102
New York	823,347	4,713,231	5,536,578
North Carolina	733,670	4,029,195	4,762,865
North Dakota	65,959	477,190	543,149
Ohio	599,083	4,359,441	4,958,524
Oklahoma	275,499	1,818,138	2,093,637
Oregon	170,080	991,714	1,161,794
Pennsylvania	449,894	3,653,170	4,103,064
Rhode Island	33,055	251,119	284,174
South Carolina	391,210	2,157,862	2,549,072
South Dakota	49,694	353,935	403,629
Tennessee	571,924	3,679,006	4,250,930
Texas	784,901	4,864,127	5,649,028
Utah	104,326	771,410	875,736
Vermont	47,381	325,551	372,932
Virginia	386,308	2,543,973	2,930,281
Washington	242,915	1,381,169	1,624,084
West Virginia	260,937	1,312,175	1,573,112
Wisconsin	224,009	1,435,955	1,659,964
Wyoming	35,438	165,968	201,406
Total, Continental United States	14,236,203	91,823,143	106,059,346
Territories:			
Alaska	2,932	41,333	44,265
Hawaii	153,207	591,684	744,891
Puerto Rico	423,455	1,715,381	2,138,836
Virgin Islands	10,481	46,250	56,731
Total, Territories	590,075	2,394,648	2,984,723
Grand Total	14,826,278	94,217,791	109,044,069



UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

SL-1-55

NATIONAL SCHOOL LUNCH PROGRAM
APPORTIONMENT BY STATES OF FUNDS AVAILABLE FOR THE NATIONAL SCHOOL LUNCH PROGRAM
Fiscal Year 1955

State	Per Capita Income in 1952 (U. S. \$1,639)	Per Capita Income Index a/ -2-	Population 5-17 years July 1, 1952 -3-	State Index b/ -4-	State Quotient -5-	Total Apportionment c/ -6-	State Agency -7-	Private Schools -8-	Matching Percent Required d/ -9-
Alabama	\$ 1,012	1.61957	814,000	1,318,329.98	.0350551	\$ 2,349,042	\$ 2,291,129	\$ 57,913	92.61745
Alaska	2,480	.66089	27,500	18,174.48	.0004833	32,386	32,386	--	150.00000
Arizona	1,498	1.09413	212,000	231,955.56	.0061678	413,304	393,217	20,087	137.09579
Arkansas	951	1.72345	481,000	828,979.45	.0220430	1,477,101	1,448,378	28,723	87.03478
California	2,032	.80659	2,143,000	1,728,522.37	.0459623	3,079,934	3,079,934	--	150.00000
Colorado	1,618	1.01298	302,000	305,919.96	.0081346	545,100	498,582	46,518	148.07810
Connecticut	2,080	.78798	402,000	316,767.96	.0084230	564,425	564,425	--	150.00000
Delaware	2,260	.72522	70,000	50,765.40	.0013499	90,457	73,644	14,813	150.00000
Distriet of Columbia	2,129	.76984	128,000	98,539.52	.0026202	175,580	175,580	--	150.00000
Florida	1,319	1.24261	633,000	786,572.13	.0209154	1,401,541	1,338,769	62,772	120.71385
Georgia	1,137	1.44151	883,000	1,272,853.33	.0338458	2,268,007	2,268,007	--	104.05735
Guam	1,450	(2.00367)	12,200	24,444.77	.0006500	43,557	36,773	6,784	132.70287
Hawaii	1,650	.99333	125,000	124,166.25	.0033016	221,240	175,592	45,248	150.00000
Idaho	1,438	1.13978	148,000	168,687.44	.0044855	300,573	291,596	8,977	131.60464
Illinois	1,983	.82655	1,716,000	1,418,325.48	.0377440	2,527,215	2,527,215	--	150.00000
Indiana	1,635	.97270	874,000	890,139.80	.0226057	1,514,808	1,514,808	--	150.00000
Iowa	1,545	1.06084	562,000	596,192.08	.0158531	1,062,316	947,686	114,630	141.39719
Kansas	1,698	.96525	410,000	395,752.50	.0105233	705,166	705,166	--	150.00000
Kentucky	1,135	1.44405	731,000	1,055,600.55	.0280690	1,880,904	1,880,904	--	103.87431
Louisiana	1,206	1.35904	677,000	920,070.08	.0244652	1,639,413	1,639,413	--	110.37218
Maine	1,361	1.20426	200,000	240,852.00	.0064044	429,159	350,125	79,034	124.55766
Maryland	1,761	.93072	521,000	444,905.12	.0128939	864,020	715,029	148,991	150.00000
Massachusetts	1,749	.93711	905,000	848,084.55	.0225100	1,511,143	1,511,143	--	150.00000
Michigan	1,815	.90303	1,434,000	1,294,945.02	.0344333	2,307,375	1,959,200	348,175	150.00000
Minnesota	1,491	1.09926	657,000	722,213.82	.0192040	1,286,860	1,091,749	195,111	136.45516
Mississippi	818	2.00367	591,000	1,184,168.97	.0314877	2,109,991	2,109,991	--	74.86272
Missouri	1,583	1.03538	803,000	831,410.18	.0221076	1,451,430	1,481,430	--	144.87492
Montana	1,697	.96582	136,000	131,351.52	.0034927	234,046	210,355	23,691	150.00000
Nebraska	1,565	1.04662	283,000	296,193.46	.0078759	527,764	467,268	60,496	143.31910
Nevada	2,250	.72844	36,000	26,223.44	.0006973	46,726	44,655	2,071	150.00000
New Hampshire	1,530	1.07124	109,000	116,765.16	.0031048	208,053	208,053	--	140.02441
New Jersey	1,959	.83665	937,000	783,941.05	.0208454	1,396,850	1,116,812	280,038	150.00000
New Mexico	1,331	1.23140	195,000	240,123.00	.0063850	427,859	427,859	--	121.81208
New York	2,038	.80422	2,739,000	2,202,758.58	.0535725	3,924,943	3,924,943	--	150.00000
North Carolina	1,049	1.56244	1,082,000	1,690,560.08	.0449529	3,012,294	3,012,294	--	96.00366
North Dakota	1,223	1.34015	150,000	201,022.50	.0053453	358,189	324,946	33,243	111.92800
Ohio	1,881	.87135	1,679,000	1,462,996.65	.0389019	2,606,816	2,238,341	368,475	150.00000
Oklahoma	1,285	1.27549	522,000	665,805.78	.0177041	1,186,352	1,186,352	--	117.60220
Oregon	1,733	.94576	334,000	315,883.84	.0083995	562,850	562,850	--	150.00000
Pennsylvania	1,710	.95048	2,154,000	2,064,565.92	.0548979	3,676,708	2,990,126	686,582	150.00000
Puerto Rico	412	(2.00367)	760,000	1,522,789.20	.0404918	2,713,356	2,713,356	--	37.70592
Rhode Island	1,655	.99033	152,000	150,530.16	.0040027	268,221	268,221	--	150.00000
South Carolina	1,099	1.49136	603,000	899,290.08	.0239126	1,602,383	1,586,873	15,510	100.57962
South Dakota	1,258	1.30286	150,000	195,429.00	.0051966	348,224	317,764	30,460	115.13118
Tennessee	1,126	1.45560	795,000	1,157,202.00	.0307706	2,061,938	2,013,718	48,220	103.03064
Texas	1,452	1.12879	1,856,000	2,095,034.24	.0557081	3,733,000	3,733,000	--	132.88591
Utah	1,450	1.13034	191,000	215,894.94	.0057408	384,691	379,702	4,989	132.70287
Vermont	1,336	1.22680	84,000	103,051.20	.0027402	183,621	183,621	--	122.26968
Virginia	1,322	1.23979	793,000	983,153.47	.0261426	1,751,816	1,697,003	54,733	120.98841
Virgin Islands	503	(2.00367)	7,800	15,628.63	.0004156	27,849	27,849	--	46.03417
Washington	1,810	.90552	506,000	458,193.12	.0121836	816,423	762,434	53,989	150.00000
West Virginia	1,232	1.33036	511,000	679,813.96	.0180766	1,211,313	1,182,915	28,398	112.75168
Wisconsin	1,549	.99394	750,000	745,455.00	.0198320	1,328,272	1,028,324	299,948	150.00000
Wyoming	1,607	1.01991	69,000	70,373.79	.0018713	125,396	125,396	--	147.07138
TOTAL	--	--	34,045,500	37,607,368.88	1.0000000	67,010,000	63,839,381	3,170,619	--

- a/ United States per capita income (\$1,639) divided by State per capita income, except for Guam, Puerto Rico and the Virgin Islands which are assigned the same per capita income index as Mississippi in accordance with the amendment to Section 4 of the National School Lunch Act. This amendment provides that the apportionment to Guam, Puerto Rico and the Virgin Islands shall not exceed 3 percent of the funds appropriated except that in the case of the first apportionment from any annual or supplemental appropriation, the apportionment to Guam, Puerto Rico and the Virgin Islands shall not be less than that amount which will result in an allotment per child of school age equal to the allotment per child of school age in the State (other than Guam, Puerto Rico and the Virgin Islands) having the lowest per capita income among the States participating in such first apportionments.
- b/ Per capita income index multiplied by population of ages 5-17, inclusive.
- c/ Total of funds apportioned multiplied by State quotients. Under the National School Lunch Act, as amended, not less than 75 percent of the total funds available must be apportioned to the States and Territories. Breakdown between State agency and private schools is based on relative enrollment in public and non-profit private schools as provided in Section 10 of the National School Lunch Act for any State in which the State Educational Agency by law is not permitted to disburse funds paid to it under this Act to non-profit private schools.
- d/ According to Section 7 of the National School Lunch Act, during fiscal 1955 each State must match one and one-half dollars for each dollar of the Federal Government's apportionment to the State, except that, in the case of a State in which the per capita income is below that of the United States, the matching ratio required is decreased by the percentage which the State's per capita income is below the per capita income of the United States. The actual amount of funds required for matching is then determined by taking this percentage of the amount of the total Federal apportionment to the State.

FDD
July 24, 1954

Agriculture-Washington

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
NATIONAL SCHOOL LUNCH PROGRAM

ESTIMATED INCOME FROM SOURCES WITHIN STATES COMPARED WITH FEDERAL ASSISTANCE IN CASH AND COMMODITIES

TABLE IV

Fiscal Year 1954

State	FEDERAL ASSISTANCE			Matching 3/	ESTIMATED INCOME FROM SOURCES WITHIN STATES			
	Cash 1/	Value of 2/	Total		Parents'	State and Local	Other	
	Apportionment	Commodities			Payments	Government	Local	
	Distributed:	Required			for Lunches	Contributions	Contributions	
	- 1 -	- 2 -	- 3 -	- 4 -	- 5 -	- 6 -	- 7 -	- 8 -
Alabama	\$2,428,737	\$507,077	\$2,935,814	\$2,184,943	\$10,383,000	\$8,820,000	\$347,000	\$1,216,000
Arizona	392,926	120,424	513,350	532,831	3,024,000	2,353,000	312,000	359,000
Arkansas	1,554,503	308,840	1,863,343	1,363,134	5,438,000	5,016,000	150,000	272,000
California	3,061,467	702,489	3,763,956	4,592,201	32,413,000	24,073,000	5,252,000	3,088,000
Colorado	538,202	133,202	671,404	799,148	3,435,000	2,390,000	139,000	906,000
Connecticut	518,222	125,295	643,517	822,333	5,115,000	4,394,000	226,000	495,000
Delaware	81,613	21,065	102,678	122,420	1,082,000	499,000	31,000	552,000
Dist. of Col.	164,002	13,664	177,666	246,003	1,038,000	278,000	163,000	597,000
Florida	1,339,927	397,201	1,737,128	1,629,230	12,976,000	10,317,000	1,356,000	1,303,000
Georgia	2,301,290	582,409	2,883,699	2,403,715	12,221,000	10,789,000	303,000	1,129,000
Idaho	314,503	93,003	407,506	403,850	1,734,000	1,499,000	22,000	213,000
Illinois	2,454,588	509,419	2,964,007	3,681,882	23,827,000	18,524,000	3,915,000	1,388,000
Indiana	1,471,057	379,670	1,850,727	2,206,586	9,781,000	8,593,000	104,000	1,084,000
Iowa	1,060,166	265,604	1,325,770	1,537,040	7,610,000	6,558,000	39,000	1,013,000
Kansas	791,185	168,191	959,376	1,093,873	4,525,000	3,716,000	75,000	734,000
Kentucky	1,967,177	434,955	2,402,132	1,985,806	8,947,000	7,932,000	235,000	782,000
Louisiana	1,719,708	783,696	2,503,404	1,848,360	16,064,000	5,545,000	9,124,000	1,395,000
Maine	439,637	77,657	517,294	540,387	1,784,000	1,442,000	167,000	175,000
Maryland	792,827	164,540	957,367	1,189,244	8,482,000	4,864,000	1,033,000	2,585,000
Massachusetts	1,465,888	229,786	1,695,674	2,195,832	13,011,000	8,468,000	4,066,000	477,000
Michigan	2,238,010	364,441	2,602,451	3,357,015	12,602,000	10,513,000	900,000	1,189,000
Minnesota	1,277,991	369,956	1,647,947	1,783,863	7,818,000	6,213,000	443,000	1,162,000
Mississippi	2,243,487	360,917	2,604,404	1,638,000	5,600,000	4,783,000	258,000	559,000
Missouri	1,535,390	399,757	1,935,147	2,208,577	10,821,000	8,313,000	311,000	2,197,000
Montana	220,962	55,099	276,061	331,443	1,206,000	891,000	179,000	136,000
Nebraska	536,954	63,136	600,090	787,804	2,061,000	1,646,000	59,000	356,000
Nevada	46,708	11,735	58,443	70,062	335,000	260,000	23,000	52,000
New Hampshire	215,373	52,263	267,636	294,506	1,363,000	977,000	145,000	241,000
New Jersey	1,386,098	206,508	1,592,606	2,079,147	6,819,000	4,497,000	90,000	2,532,000
New Mexico	421,173	84,574	505,747	518,888	1,398,000	1,045,000	173,000	180,000
New York	3,905,550	823,347	4,728,897	5,858,475	36,301,000	17,964,000	18,212,000	125,000
North Carolina ..	2,942,160	733,670	3,675,830	2,931,015	15,398,000	13,776,000	242,000	1,380,000
North Dakota	314,317	65,999	380,316	417,601	1,324,000	898,000	111,000	315,000
Ohio	2,576,955	599,083	3,176,038	3,865,433	18,877,000	14,171,000	50,000	4,656,000
Oklahoma	1,318,060	275,499	1,593,559	1,475,329	6,002,000	4,624,000	453,000	925,000
Oregon	582,970	170,080	753,050	844,435	4,896,000	3,540,000	195,000	1,161,000
Pennsylvania	3,602,179	449,894	4,052,073	5,403,269	17,720,000	9,838,000	52,000	7,830,000
Rhode Island	250,469	33,055	283,524	375,704	1,247,000	826,000	331,000	90,000
South Carolina	1,717,472	391,210	2,108,682	1,631,273	8,385,000	6,531,000	631,000	1,223,000
South Dakota	285,638	49,694	335,332	413,580	802,000	626,000	10,000	166,000
Tennessee	2,198,881	571,924	2,770,805	2,215,539	11,878,000	10,006,000	887,000	985,000
Texas	3,658,281	784,901	4,443,182	4,891,565	18,887,000	16,115,000	2,499,000	273,000
Utah	372,300	104,326	476,626	502,041	2,503,000	1,928,000	494,000	81,000
Vermont	183,716	47,381	231,097	229,993	684,000	483,000	77,000	124,000
Virginia	1,731,126	386,308	2,117,434	2,122,924	11,933,000	8,483,000	897,000	2,553,000
Washington 5/....	804,590	212,915	1,017,505	1,206,885	7,328,000	6,349,000	944,000	35,000
West Virginia	1,278,961	260,937	1,539,898	1,421,875	4,655,000	3,630,000	546,000	479,000
Wisconsin	1,313,368	224,009	1,537,377	1,970,052	5,631,000	4,261,000	615,000	755,000
Wyoming	110,078	35,438	145,516	165,117	820,000	576,000	115,000	129,000
Alaska	27,764	2,932	30,696	41,646	108,000	90,000	1,000	17,000
Hawaii	235,159	153,207	388,366	339,154	4,168,000	3,639,000	449,000	80,000
Puerto Rico	2,823,553	423,455	3,247,008	938,511	5,463,000	9,000	5,427,000	27,000
Virgin Islands ..	44,582	10,481	55,063	18,069	97,000	5,000	86,000	6,000
TOTAL	67,266,000	14,826,278	82,092,278	83,707,625	416,020,000	303,276,000	62,962,000	51,782,000

1/ Third apportionment.

2/ Under Section 6 of the National School Lunch Act part of the appropriation is available to the Secretary of Agriculture for purchase and distribution of commodities to schools participating in the program.

3/ According to Section 7 of the National School Lunch Act, during fiscal 1954 each State is required to match one and one-half dollars for each dollar of the Federal Government's apportionment to the State for food, except that the matching requirement for States in which the per capita income is below the National average. States with per capita incomes at or above the National average must match at a rate of \$1.50 for each \$1.00 of Federal funds. The required rate of matching for other States varies in accordance with the relationship of each State's per capita income to the National average.

4/ Includes county and local government contributions.

5/ Data in columns 5, 6, 7 and 8 preliminary estimates.

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Agriculture-Washington

(d) Repayment to Commodity Credit Corporation

Appropriation Act, 1955, and base for 1956	\$441,655
Budget Estimate, 1956	- -
Decrease (due principally to the large volume of Smith-Doxey classed cotton placed under CCC loan)	<u>-441,655</u>

PROJECT STATEMENT

Project	: 1954	: 1955 :(estimated):	: Decrease	: 1956 :(estimated)
Reimbursement to Commodity Credit Corporation	:\$768,505	:\$441,655	:-\$441,655(1):	- -

DECREASE

(1) A decrease of \$441,655 is proposed for 1956. Therefore, no appropriation is required to reimburse Commodity Credit Corporation for costs incurred in fiscal year 1954 for inspecting and grading tobacco and classing cotton not placed under loan. This decrease results principally from the fact that in 1954, nearly 6 1/2 million bales of Smith-Doxey classed cotton were placed under loan by the Commodity Credit Corporation. The Corporation bears the cost of classing the cotton placed under loan. This unusually large volume of loan cotton was three times as great as in 1953. The cost of classing this volume of cotton exceeded the amount which had been advanced from CCC.

The net amounts advanced and the cost of inspecting and grading tobacco and classing cotton placed under loan were as follows:

Cotton:

Estimated total number of classings by Federal employees	14,580,737 bales
Estimated cost of all classings by Federal employees	\$2,830,867
Average cost per classing	19.4¢
Estimated total bales classed under Smith-Doxey Act going under loan	6,429,014 bales
Advance from CCC (net)	\$1,041,524
Estimated cost of classing loan cotton (6,429,014 x 19.4¢)	<u>1,247,229</u>
To be repaid to CCC	<u>- -</u>

Tobacco:

Estimated total cost of inspecting and grading tobacco at auction markets	\$1,753,565
Estimated amount of tobacco graded at auction markets placed under loan	12.86%
Advance from CCC (net)	\$225,508
Estimated cost of inspecting loan tobacco (12.86% of \$1,753,565)	<u>225,508</u>
To be repaid to CCC	<u>- -</u>

CHANGE IN LANGUAGE

The estimates propose deletion of language for this item as follows:

[For reimbursement to Commodity Credit Corporation for sums transferred to the appropriation "Marketing services", fiscal year 1953 (including interest thereon through June 30, 1954), pursuant to authority contained under the head "Marketing services" in the Department of Agriculture Appropriation Act, 1952 (7 U.S.C. 414a), for grading tobacco and classing cotton without charge to producers, as authorized by law (7 U.S.C. 473a, 511d), \$441,655.]

This change deletes the appropriation language in its entirety, since no estimate for this item is proposed in the 1956 Budget.

(e) Perishable Agricultural Commodities Act Fund

Appropriation 1955, and base for 1956	\$390,000
Budget Estimate, 1956	<u>390,000</u>

Note: Due to an estimated carry-over of \$315,013 from fiscal year 1955, a total of \$705,013 is estimated to be available for administration of the applicable Acts in fiscal year 1956. Of this total, the estimates forecast obligations of \$410,000 for fiscal year 1956, leaving a carry-over of \$295,013 into fiscal year 1957.

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
Licensing dealers and handling complaints	\$384,170	\$410,000	- -	\$410,000
Unobligated balance brought forward	-291,026	-335,013	+\$20,000	-315,013
Unobligated balance	+335,013	+315,013	-20,000	+295,013
Total appropriation or estimate	428,157	390,000	- -	390,000

STATUS OF PROGRAM

Current Activities

This special fund, replenished by license fees, provides for the protection of producers, distributors, consumers, and others, from unfair and fraudulent practices in the marketing of perishable agricultural commodities; prevents the destruction or dumping of farm products and promotes foreign trade in apples and pears. Handlers are required to give shippers a true and correct accounting for commodities sent for sale in the market. Buyers and sellers must live up to the terms of the contract; false or misleading statements, and misbranding, etc., are prohibited.

All commission merchants, dealers and brokers who handle fresh and frozen fruits and vegetables in interstate and foreign commerce must be licensed.

Anyone financially interested in a transaction covered by the law may request the assistance of the Department. The Department will promptly communicate with the other party, make necessary investigation, endeavor to bring about an amicable informal settlement, take formal action, if necessary, give each party opportunity to present his side fully, determine the loss or amount of damage to be paid, and if the violation is found to warrant such action, publish the facts and suspend or revoke the offender's license. Much of the evidence is supplied by the inspection certificate, as the majority of the cases involve questions of quality and condition.

Activities under these Acts include licensing, collection of fees, and investigation and handling of complaints and violations.

Financing

Pursuant to the amendment of the Perishable Agricultural Commodities Act effective June 15, 1950, annual license fees of \$15, together with arrearage fees, are deposited into a special fund from which all expenses, except legal services, for administration of the Perishable Agricultural Commodities, Produce Agency, and violations of the Export Apple and Pear Acts are paid.

Prior to this amendment, the annual license fees of \$10 and arrearage fees were deposited to Miscellaneous Receipts and the administration of the Acts was financed under the Marketing Services appropriation.

Revenue collected and obligations incurred during the past three years and estimated for 1955 and 1956 are as follows:

	Revenue Collected and Obligations Incurred				
	1952	1953	1954	1955(est)	1956(est)
Fees and arrearages :	:	:	:	:	:
collected	\$404,244	\$428,839	\$428,157	\$390,000	\$390,000
Obligations	398,307	400,338	384,170	410,000	410,000

Selected Examples of Recent Progress and Trends

Licensing:

There were 26,372 licenses in effect at the end of fiscal year 1954. This is an increase of more than 900 over the preceding year and is due chiefly to increased field coverage in the southeast, which is a heavy producing area. Although there was a slight increase in terminations this was offset by the large increases in renewals of licenses already in existence and in new licenses issued. The licensing activity and number of licenses in effect at the end of each of the past three years and estimated for 1955 and 1956 are as follows:

	Fiscal Years				
	1952	1953	1954	1955(est)	1956(est)
Licenses renewed....	19,044	19,438	19,912	20,000	19,500
New licenses issued..	5,764	6,007	6,460	6,500	6,000
Licenses terminated..	5,503	5,370	5,533	6,372	6,900
Total actions ...	30,311	30,815	31,905	32,872	32,400
In effect June 30 ..	24,808	25,445	26,372	26,500	25,500

Complaints and Reparations:

1. There were more than 2,300 complaints filed and 51 cases reopened, a slight reduction from the previous year. The value of the regulatory activities is not fully indicated by the number of cases filed and settled because an increasing number of cases are being settled each year by the industry without resorting to formal proceedings under the Act. These settlements are being made because of precedents established by Secretary's Orders in previous cases handled under provisions of the Acts. These decisions are published and are distributed to the industry and are used as the basis for settling disputes informally. The cases being referred to the Department are in general those which are difficult and those for which no precedents have been established.

2. Amicable settlements were reached in approximately 50 percent of the cases closed and payments of about \$920,000 paid to the complaining parties. The industry generally favors this method of disposing of their disputes and in many cases request arbitration. In most cases they are willing to sign contracts and to accept as final, and abide by, the decisions rendered. These arbitration cases have substantially the same force and effect as decisions rendered by the Judicial Officer of the Department.
3. Efforts to reduce the backlog of cases have been continuous. As of the close of business June 30, 1954 there were 734 cases pending which is the smallest number pending since 1947.
4. Analysis of complaint work, fiscal years 1952 through 1954 and estimated for 1955 and 1956:

	Fiscal Years				
	1952	1953	1954	1955	1956
				(est.)	
Complaints:					
On hand beginning of year...	922:	919:	775:	734:	719
Received or reopened.....	2,779:	2,431:	2,416:	2,600:	2,450
Total to be handled...	3,701:	3,350:	3,191:	3,334:	3,169
Formal decisions	204:	235:	282:	290:	275
Informal amicable settlements	1,321:	1,212:	1,120:	1,150:	1,050
Otherwise closed	1,257:	1,128:	1,055:	1,175:	1,178
Pending June 30:	919:	775:	734:	719:	666
Reparations:					
Awarded - For-					
mal orders....	\$192,947:	\$321,492:	\$315,304:		
Payments -					
amicable settlements....	1,258,558:	1,248,709:	920,318:		
Total	1,451,505:	1,570,201:	1,235,622:		

Produce Agency Act Cases:

Fifty-four cases were filed under the provisions of this Act compared with 39 during the preceding year. There were no convictions under this Act as all cases were disposed of by amicable settlement.

Export Apple and Pear Act:

One violation, reported under this Act during the year, is now in the process of investigation.

(f) Removal of Surplus Agricultural Commodities
(Section 32)

Appropriation, 1955	\$180,091,952
Transferred to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service", Department of the Interior, pursuant to Public Law 466	-4,207,826
Adjusted appropriation, 1955, and base for 1956	<u>175,884,126</u>
Budget Estimate, 1956:	
Annual permanent appropriation	\$168,000,000
Less estimated transfer to Department of the Interior pursuant to Public Law 466 ..	<u>-3,000,000</u>
Decrease (in annual permanent appropriation for Section 32 purposes)	<u><u>165,000,000</u></u>
	<u><u>-10,884,126</u></u>

Note: Due to an estimated unobligated balance to be carried forward from fiscal year 1955 of \$300,000,000, a total of \$465,000,000 is estimated to be available in fiscal year 1956 to the Department of Agriculture. Of this total, the estimates tentatively forecast obligations of \$194,675,625, an increase of \$110,573,707 compared with 1955, which would result in an unobligated balance of \$270,324,375 being carried forward into the fiscal year 1957.

SUMMARY OF INCREASES, 1956
(on the basis of available funds)

Increase for surplus removal operations	+\$110,073,707
Increase in surplus removal operating expenses	+400,000
Increase to place on a full-year basis the expanded program for development of foreign market outlets for surpluses of American agricultural commodities	+100,000

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
1. Direct purchases	\$187,870,897	\$67,940,729	+\$104,359,271(1)	\$172,300,000
2. Encouragement of exportation	12,982,327	9,408,064	+3,641,936(1)	13,050,000
3. Diversion to by-products and new uses .	959,408	1,902,500	+2,072,500(1)	3,975,000
4. Surplus removal operating expenses	1,895,562	2,200,000	+400,000(2)	2,600,000
5. Marketing agreement and orders	1,111,626	1,354,000	- -	1,354,000
6. Foreign market promotion	524,781	1,100,000	+100,000(3)	1,200,000
7. Import controls	188,256	196,625	- -	196,625
Total obligations ..	205,532,857	84,101,918	+110,573,707	194,675,625

Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
Unobligated balance				
carried forward	268,768,343	300,000,000	-29,675,625	270,324,375
Estimated unobligated				
balance as of June 30,				
1955, to be carried to				
surplus in fiscal year				
1956	- -	60,550,551	-60,550,551	- -
Total available	474,301,200	444,652,469	+20,347,531	465,000,000
Transferred to other appro-				
priations pursuant to				
Public Law 286 for pen-				
alty mail costs	1,653,857	- -	- -	- -
Recovery of prior year				
obligations	-3,537,714	- -	- -	- -
Unobligated balance	a/			
brought forward	300,000,000	268,768,343	-31,231,657	-300,000,000
Subtotal	172,417,343	175,884,126	-10,884,126	165,000,000
Transfer to Department of				
Interior pursuant to				
Public Law 466	- -	4,207,826	-1,207,826	3,000,000
Total appropriation or				
estimate	172,417,343	180,091,952	-12,091,952	168,000,000

a/ Excludes unobligated balance of \$27,440,518 as of June 30, 1953 returned to the Surplus Fund of the Treasury in fiscal year 1954.

INCREASES AND DECREASES

(1) A net increase of \$110,073,707 in program activity is estimated for projects 1, 2 and 3.

The extent to which this appropriation will be required for surplus removal operations and the distribution among these three projects will depend upon weather conditions and the volume of agricultural production in this country and foreign countries, economic conditions generally, the extent of local market gluts, and many other complex and unpredictable factors.

The authorizing legislation provides that the principal part of the funds shall be devoted to nonbasic perishable commodities, other than those receiving price support under Title II, of the Agricultural Act of 1949, as amended. This means that these funds must be used for commodities which cannot be stored, and in order to prevent waste, must move quickly from producer to consumer. Included in this category are fresh vegetables for which production shifts according to seasons. These are rapidly growing commodities, with most of them requiring from 45-90 days from planting time to harvest time. The situation can change quickly from one of shortage to one of surplus. Even in seasons in which the total volume of production may be less than normal, surpluses frequently arise because of bunching of maturity.

dates. Fresh fruits and tree nuts are, likewise, commodities which require quick marketing in order to avoid deterioration or spoilage. The production of orchard crops is difficult to plan and regulate since orchards often require from 5 to 7 years to reach maturity. A season of unusually good growing conditions could bring about a supply in excess of normal demands and the destruction of trees in order to forestall such a recurrence would be highly uneconomic.

In order to make funds available to meet such emergencies, and in recognition of the unpredictable factors involved in the use of these funds, Congress has provided for the accumulation of unused balances to \$300,000,000, in addition to the annual permanent appropriation. The following table reflects the total funds available and balances carried forward for fiscal years 1954, 1955 and 1956:

	1954	1955	1956
Balance from prior year	\$300,000,000	\$268,768,343	\$300,000,000
Recovery of prior year obligations .	3,537,714	- -	- -
Appropriation or estimate	172,417,343	180,091,952	168,000,000
Transferred to other appropriations for penalty mail	-1,653,857	- -	- -
Transfer to Interior	- -	-4,207,826	-3,000,000
Total available	<u>474,301,200</u>	<u>444,652,469</u>	<u>465,000,000</u>
Obligations	-205,532,857	-84,101,918	a/194,675,625
Estimated unobligated balance as of June 30, 1955, to be carried to surplus in fiscal year 1956	<u>- -</u>	<u>-60,550,551</u>	<u>- -</u>
Balance carried forward to sub- sequent year	<u>268,768,343</u>	<u>300,000,000</u>	<u>270,324,375</u>

a/ It is estimated that approximately 64 percent of the fund requirements for fiscal year 1956 will be for perishable commodities.

(2) An increase of \$400,000 for surplus removal operating expenses. This increase is tied directly to the increase in program volume. It is estimated that approximately 21,000 carlots of commodities will be purchased for direct distribution during the fiscal year 1956, an increase of 12,500 compared with an estimated 8,500 carlots in fiscal year 1955. Activity in the exportation and diversion programs is also expected to increase, resulting in increased costs in the operations of these programs. Experience indicates that costs of procuring these commodities, directing these shipments, and accounting for the funds approximate \$35 per carlot purchased. However, based on a larger volume and improvements in the handling of the program, it is estimated that these costs in the field can be met with an increase of \$400,000.

(3) An increase of \$100,000 for foreign market promotion to enable the Department, through the Foreign Agricultural Service, to put on a full-year basis the expansion of the program for development of foreign market outlets for surplus and potentially surplus American agricultural commodities. Production of agricultural commodities in the United States is continuing at a high level without sufficient disposal of the surplus into foreign markets. Not only are the maintaining, regaining, and expanding of foreign markets for United States agricultural products important as a means of meeting the problem of surplus and potentially surplus production, but they are also necessary for the maintenance of a sound National economy in the interest of farm people, those

engaged in business and service organizations, and the public. The stepping-up of international trade can contribute materially to the solution of the world's farm and food problems, and to the establishment of peace and stability among the nations of the world.

In addition to the \$800,000 shown in the 1955 Budget for this program, there has been allotted to this Service an additional \$300,000 for an expansion of this program in the fiscal year 1955. The additional \$300,000 was allotted on the basis of approximately three-fourths of a full year's operation. It provided for additional market specialists and supporting staff and for additional travel to enable the Foreign Agricultural Service to follow up foreign market development activities and opportunities reported by the consultants who constituted the agricultural "trade missions" and who visited 35 countries throughout the world. The increased funds also provided the additional staff in the Foreign Agricultural Service to assist in coordination and development of Commodity proposals under Title I of the Agricultural Trade Development and Assistance Act of 1954 (P. L. 480 approved July 10, 1954) which authorizes the sale of surplus agricultural commodities for foreign currencies.

The increase of \$100,000 will place this work on a full-year basis in 1956 and will enable the Foreign Agricultural Service to continue its stepped-up program in maintaining contacts with various potential markets, in administering Title I under Public Law 480, and in following up on leads reported by the agricultural "trade missions" and other sources.

STATUS OF PROGRAM

Current Activities:

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), an amount equal to 30 percent of customs receipts during each calendar year and unused balances up to \$300 million are available for expanding market outlets for farm commodities by removing from the market surplus agricultural commodities through:

- (a) Purchases for distribution through State distributing agencies to school lunch programs, and to welfare agencies and institutions eligible to receive such purchases.
- (b) Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.
- (c) Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.

These funds are used for the administration of marketing agreements and orders which aim to establish and maintain orderly marketing conditions for certain commodities and their products. They are also used to promote foreign markets for surplus and potentially surplus agricultural commodities, and to administer import programs under Section 22 of the Agricultural Adjustment Act of 1933, as amended.

These programs directly or indirectly tend to maintain prices received by farmers for many commodities.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities (other than those receiving price support under Title II of the Agricultural Act of 1949 as amended) and their products. Title II commodities are: wool, including mohair, tung nuts, honey, milk, butterfat, and the products of milk and butterfat.

Selected Examples of Recent Progress and Trends:

- A. Purchase of agricultural commodities for distribution to authorized agencies:
 - 1. During the fiscal year 1954, approximately 494 million pounds of agricultural commodities at a cost of \$187,870,897 were purchased for distribution through authorized agencies. Distribution was made by 77 agencies to an increased number of participants as compared with 1953.

	1953	1954
(1) Number of school children.	9,173,000	9,411,000
(2) Persons in eligible institutions	1,252,000	1,269,000
(3) Individual welfare recipients.....	114,000	1,089,000

2. Commodities Purchased during Fiscal Years 1953 and 1954 for Distribution Through Authorized Agencies ^{1/}

Commodity	Unit	1953		1954	
		Quantity	Value	Quantity	Value
Dairy products:	:	:	:	:	:
Butter	:lb.	23,301,360	\$16,798,954	81,972,581	\$58,797,724
Cheese	:lb.	1,808,495	715,987	52,797,953	22,716,483
Milk	:lb.	20,733,645	4,411,039	36,292,275	7,192,318
Beans	:lb.	---	---	10,807,000	1,216,338
Fruits:	:	:	:	:	:
Apples, fresh...	:lb.	34,314	108,103	---	---
Cranberry sauce.	:case	---	---	290,005	1,146,317
Cherries, can'd.	:case	67,730	347,288	---	---
Pears, fresh....	:box	557,984	1,925,516	126,429	387,046
Orange juice,	:	:	:	:	:
(conc.)	:gal.	398,044	934,327	---	---
Honey	:lb.	7,000,000	1,194,147	750,000	150,000
Beef	:lb.	3,821,000	1,382,188	214,037,000	84,106,229
Oils:	:	:	:	:	:
Cottonseed(salad)	:gal.	500,003	932,794	819,610	1,482,819
Cottonseed	:	:	:	:	:
(shortening) ..	:lb.	---	---	37,734,398	9,126,457
Olive oil	:gal.	142,000	445,104	---	---
Pecans	:lb.	---	---	594,000	401,538
Poultry products:	:	:	:	:	:
Turkeys	:lb.	48,435,461	26,663,247	---	---
Vegetables:	:	:	:	:	:
Potatoes.....	:bu.	---	---	615,000	1,147,628
Total	:	xxx	55,858,694	xxx	187,870,897

^{1/} Commodities purchased during the fiscal year but not necessarily distributed during the same fiscal year.

B. Encouragement of exportation of agricultural commodities:

Quantity of Commodities Exported and Payments Made
During Fiscal Years 1953 and 1954

Commodity	Unit	1953		1954	
		Quantity	Payment	Quantity	Payment
Corn	:bu.:	---	---	9,322,000	1,500,000
Fruits:	:	:	:	:	:
Apricots, dr'd.	:lb.:	---	---	3,636,868	272,641
Citrus juice, blend	:case:	67,403	\$44,347	38,760	22,318
Citrus salad	:case:	271	264	---	---
Grapefruit, fresh	:box:	160,357	124,256	280,011	210,009
Grapefruit juice, conc.	:gal.:	48,387	42,633	58,177	38,821
Grapefruit, canned	:case:	7,967	8,008	24,646	24,875
Grapefruit juice, s.s.	:case:	289,309	167,351	376,149	204,917
Lemons, fresh	:box:	61,742	98,803	---	---
Lemon juice, s.s.	:case:	370	626	---	---
Oranges, fresh	:box:	3,406,702	4,370,572	3,936,741	4,208,999
Orange juice, conc.	:gal.:	434,263	378,158	669,907	531,679
Orange juice, s.s.	:case:	369,287	276,775	365,568	222,402
Pears, fresh	:box:	---	---	298,287	298,287
Prunes, drd.	:ton:	5,395	277,228	---	---
Raisins, drd.	:ton:	86,522	4,453,539	49,478	1,971,777
Honey	:lb.:	28,456,226	1,203,239	17,604,297	670,247
Wheat	:bu.:	---	---	15,960,219	2,805,355
Total ..	:	xxx	11,445,799	xxx	12,982,327

C. Quantities of Commodities Diverted and Payments Made
During Fiscal Years 1953 and 1954

Commodity	Unit	1953		1954	
		Quantity	Payment	Quantity	Payment
Honey	:lb.:	6,056,863	\$315,420	721,400	27,160
Tree nuts ...	:lb.:	3,250,650	1,038,393	---	---
Potatoes	:bu.:	---	---	5,640,000 ^{1/}	932,248
Total ..	:	xxx	1,353,813	xxx	959,408

^{1/} Includes 1,432,000 bushels of culls on which no payment was made.

D. Food Preservation and marketing of Abundant Foods:

The work performed under this program supplemented the direct distribution program by (1) furnishing assistance and advice in the preservation of foods and in the operation of preservation centers, and (2) encouraging the consumption of plentiful foods through normal channels of trade.

1. Food Preservation Program

(a) Surplus Foods Preserved During Fiscal Years 1953 and 1954 by Local Preservation Centers for Redistribution in Processed Form to Schools and Other Outlets

Commodity	1953 Pounds	1954 Pounds
Apples	302,375	---
Pears	8,453,852	625,116
Turkeys	50,552	---
Total	8,806,779	625,116

(b) Assistance and Advice Furnished to Non-Profit Food Preservation Centers During Fiscal Years 1953 and 1954

Project	1953 Number	1954 Number
Workshops conducted on boning ham	48	---
Technical assistance furnished in improving canning techniques	456	176
Workshops conducted in food preservation training	60	59
Plant surveys performed	109	103
Floor plans and equipment drawings developed and used	39	53

2. Food Trades Program

Item	1953 Number	1954 Number
Average number of foods listed on monthly abundant foods list	19	14
Distribution of monthly abundant foods list	25,935	27,700
National food drives conducted	5	8
Area, State and local food drives conducted	30	22

Major food drives were conducted during the past year on dairy products, grapefruit, winter pears, potatoes, raisins, pecans, honey, and beef.

Increased emphasis has been placed on this activity during the 1955 fiscal year in an attempt to utilize surplus foods and minimize direct Government aid. In addition to expanding activity under the established Food Trades Program, a new approach involving market expansion to increase domestic utilization and consumption of surplus commodities was developed during the current year. A series of marketing clinics are being initiated to analyze and clarify marketing problems to assist industry to concentrate its efforts on achieving sustained high-level utilization of commodities.

1. Marketing Agreements and Orders

Marketing agreements and orders were in effect during fiscal years 1953 and 1954 for (1) milk, (2) tree nuts, tree fruits, potatoes, and other vegetables, and (3) tobacco as follows:

1. Activities under the Milk, Fruit and Vegetable and Tobacco Agreement and Order Programs During Fiscal Years 1953 and 1954

Activity	: Dairy		: F & V		: Tobacco	
	: 1953:	: 1954	: 1953	: 1954	: 1953	: 1954
Agreement and order programs in effect	49	51	25	27	1	1
Hearings held to consider amendments to existing orders or the issuance of orders in new areas:	46	61	7	13	-	-
Requests received for new programs	16	17	2	5	-	-
Amendments issued to existing orders	39	64	3	7	-	-
Suspensions issued to existing orders	11	25	-	4	-	-
Petitions received for review of various order provisions	19	8	-	-	-	-
Petitions disposed of during year	11	18	-	-	-	-
Court cases started during year	16	9	20	20	-	-
Court cases disposed of during year	18	13	22	18	-	-
Hearings held under Administrative Procedures Act	-	3	7	13	-	-
Applications reviewed from co-operatives for qualifications to participate under the Act...	25	36	-	-	-	-
Cases disposed of under the Act	42	25	-	-	-	-
Regulatory orders issued under provisions of marketing order...	-	-	167	231	-	-

1. Activities under the Milk, F&V and Tobacco Agreements and Order Programs -- Continued

Activity	Dairy		F & V		Tobacco	
	1953:	1954:	1953:	1954:	1953:	1954:
Appointment of administrative or control committees	-	-	33	31	1	-
Promulgation of committee rule making	-	-	35	29	-	-
Budgets approved	49	49	46	41	1	1
Investigation of alleged violations	-	-	166	135	-	-
Cases referred to Department of Justice for prosecution	9	-	129	26	-	-
Recodification of Agreements and Orders	-	-	2	-	-	-
Administrators Decisions issued	49	48	2	13	-	-
Secretary's Decisions issued ..	71	71	5	11	-	-
Secretary's Referendum Orders issued	-	71	6	10	-	-
Orders discharging trustees ...	-	-	-	1	-	-

2. Marketing Agreements and Order Programs in Effect for Fluid Milk During Fiscal Year 1954

State	City	Estimated: Number of Producers	Est. Amount of Pooled Milk (1000 lbs)
Arkansas	Fort Smith	250	36,314
Illinois	Chicago; Quad City (Grade A); : Rockford-Freepont	25,471	4,829,094
Indiana	Fort Wayne; South Bend-LaPorte	2,059	229,526
Iowa	Cedar Rapids-Iowa City; : Dubuque; Sioux City	1,598	232,396
Kansas	Neosho Valley; Topeka, Wichita	2,307	309,603
Kentucky	Louisville; Paducah.....	2,689	325,479
Louisiana	New Orleans	2,799	269,711
Massachusetts..	Boston; Fall River; Merrimack; : Valley; Springfield, Worcester	16,494	2,149,687
Michigan	Detroit; Muskegon	13,671	1,690,875
Minnesota.....	Duluth-Superior; Minneapolis; : St. Paul	7,108	924,023
Missouri	Kansas City; Springfield; : St. Louis	8,725	1,132,654
Nebraska	Omaha-Lincoln-Council Bluffs..	2,530	293,410
New York	New York	50,143	7,725,841
Ohio	Cincinnati; Cleveland; Columbus; : Dayton-Springfield; Lima; : Stark County; Toledo; Tri-State	23,776	2,500,550
Oklahoma	Oklahoma City; Tulsa-Muskogee	2,775	373,692

2. Marketing Agreements and Order Programs, Fluid Milk--Cont'd.

State	:	City	:	Est. No. of Producers	:	Est. Amt. of Pooled Milk (1000 lbs.)
Pennsylvania....	:	Philadelphia	:	7,924	:	1,156,188
South Dakota....	:	Sioux Falls-Mitchell.....	:	301	:	54,013
Tennessee.....	:	Knoxville; Memphis; Nashville:	:	3,061	:	428,479
Texas.....	:	Central West Texas; North	:		:	
	:	: Texas; San Antonio	:	4,353	:	945,564
Washington.....	:	Puget Sound	:	3,699	:	721,722
Wisconsin.....	:	Milwaukee.....	:	2,843	:	481,991
Total, 49 Markets				:	:	184,626 : 26,810,812

3. Marketing Agreement and Order Programs in Effect During
Fiscal Year 1954

Type of Commodity	:	Est. No. of Commercial Producers	:	Estimated Farm Values
Type 62 Shade Grown Cigar-Leaf Tobacco	:	365	:	\$10,000,000

4. Fruit and Vegetable Marketing Agreement and Order
Programs in Effect During Fiscal Year 1954

Orders in Effect	Est. No. of Commercial Producers	Estimated Farm Values
<u>Citrus fruits:</u>		
California - Arizona Navel and miscellaneous oranges	(16,000	37,076,000
California-Arizona Valencia oranges. :	(:	37,822,000
California-Arizona desert grapefruit :	2,000 :	4,897,000
California-Arizona lemons	6,100 :	55,774,000
(a) Florida oranges	(:	145,600,000
(a) Florida grapefruit	(15,000 :	31,080,000
(a) Florida tangerines	(:	12,948,000
<u>Deciduous fruits:</u>		
Florida avacados.....	600 :	1,145,000
California Tokay grapes	1,900 :	11,720,000
Colorado peaches	2,000 :	3,399,000
Georgia peaches	750 :	9,605,000
Utah peaches	1,300 :	896,000
(b) California Bartlett pears	1,200 :	18,042,000
(b) California plums	900 :	12,719,000
(b) California Elberta peaches	500 :	7,700,000
California Buerre Hardy pears	300 :	975,000
Oregon-Washington-California fall and winter pears	2,350 :	18,243,000
<u>Dried fruits:</u>		
California dried prunes	7,000 :	31,244,000
California raisins	9,000 :	36,498,000
<u>Vegetables:</u>		
(c) Colorado peas	100 :	298,000
(c) Colorado Cauliflower	125 :	420,000
<u>Potatoes:</u>		
Idaho-Oregon	10,900 :	27,919,000
Colorado	3,200 :	13,387,000
Oregon-California	2,300 :	9,082,000
Virginia-North Carolina	3,800 :	9,700,000
Eastern South Dakota	300 :	1,102,000
Washington	1,500 :	8,064,000
New England except Maine	1,300 :	8,590,000
<u>Nuts:</u>		
California almonds	8,800 :	16,462,000
Oregon-Washington filberts	4,000 :	1,811,000
Southeastern pecans	9,000 :	14,738,000
California-Oregon-Washington walnuts:	20,000 :	23,478,000
Total, 27 orders	xxx :	612,434,000

(a), (b), (c) - one order each respectively.

AS OF JANUARY 1, 1955



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THE UNIVERSITY OF CHICAGO PRESS

AS OF JANUARY 1, 1955



U. S. DEPARTMENT OF AGRICULTURE

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ACTIONS SINCE JUNE 30, 1954

F. Foreign Market Promotion

1. Sales of U.S. Agricultural Products Under Titles I and II of Public Law 480 Under Discussion:

Title I of P.L. 480 provides for the sale to friendly Nations of American surplus commodities for foreign currencies until June 30, 1957. Transactions requiring appropriations are limited to \$700,000,000. Discussions on the sale of American agricultural commodities have been held with Japan, Turkey, Pakistan and Yugoslavia, and it is expected that the sales to these countries will amount to approximately \$175,000,000 at market value and will represent about \$220,000,000 in Commodity Credit Corporation investments.

Estimates of the volume of the specific commodities to be sold under the provisions of Title I are highly tentative. For all commodities, however, it is assumed that during the fiscal year 1955, programs for foreign currencies will total about \$323,000,000 at market value, and will represent about \$400,000,000 at Commodity Credit Corporation costs. For the fiscal year 1956, it is estimated that programs for foreign currencies will total about \$151,000,000 at market value, and will represent Commodity Credit Corporation costs of about \$200,000,000.

Title II of Public Law 480 authorizes the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples of foreign countries to meet famine or other urgent relief requirements, until June 30, 1957. Total expenditures are not to exceed \$300,000,000. The Department cooperates with the Foreign Operations Administration in the review and clearance of all proposals for use of commodities under Title II. The following Table shows the countries, the commodities, and the dollar amounts of the commodities for which Transfer Authorizations have been issued by the Foreign Operations Administration as of November 30, 1954.

Countries, Commodities and Amounts for which Transfer Authorizations have been issued by the FOA as of November 30, 1954:

Country and Commodity	Quantity		Amount of CCC Invest-	
	Metric Tons		ment (thousands)	
<u>Austria</u>				
Corn		25,000		1,900
<u>Czechoslovakia</u>				
Corn		20,000		1,700
<u>Germany-Federal Republic</u>				
Corn	7,400		604	
Flour, wheat	1,000		163	
Oil, cottonseed . . .	415		201	
Rice	175	8,900	70	1,033
<u>Germany-Soviet Occupied</u>				
Barley	1,742		176	
Butter	50		72	
Corn	2,032		182	
Flour, rye	500		71	
Flour, wheat	750		131	
Rice	235	5,309	94	726
<u>Haiti</u>				
Beans, dry edible . .	2,320		746	
Flour, wheat	1,047		277	
Meal, corn	1,000		193	
Milk, nonfat, dry . .	91		36	
Oil, cooking	100		60	
Rice	2,000	7,058	617	1,534
<u>Hungary</u>				
Beans, dry edible . .	1,000		190	
Corn	10,000		860	
Oil, cottonseed . . .	1,000		524	
Wheat	10,000	22,000	1,120	2,694
<u>Libya</u>				
Wheat		27,000		3,250
<u>Nepal</u>				
Corn	610		60	
Milk, nonfat, dry . .	10		4	
Wheat	1,219	1,339	146	210
<u>Pakistan</u>				
Milk, nonfat, dry . .	272		108	
Oil, cottonseed . . .	900	1,172	472	500
<u>Yugoslavia</u>				
Butter	750		1,075	
Wheat	135,000	135,750	16,120	17,115

Countries, Commodities and Amounts for which Transfer Authorizations have been issued by the Foreign Operations Administration as of November 30, 1954 -- Continued:

Country and Commodity	Quantity		Amount of CCC Invest-	
	Metric Tons		ment (thousands)	
Christmas Holiday Food				
Distribution -	Countries to which distribution made not available at this time			
Beans, dry, edible	3,994		1,189	
Butter	2,122		3,181	
Cheese	1,904		1,791	
Flour, wheat	11,023		2,014	
Milk, nonfat, dry	4,418		2,099	
Oil, cooking	2,157		1,217	
Shortening	1,378		810	
Rice	11,193	38,194	4,381	16,682
Grand Total		292,312		47,909

2. Sale of U. S. Agricultural Products Under Section 402 Promoted:

Section 402 of the Mutual Security Act of 1954 provides that not less than \$350,000,000 of funds authorized to be appropriated under this Act shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States. This Section superseded Section 550 in the 1953 Mutual Security Act. In close cooperation with the Foreign Operations Administration, several transactions were initiated or promoted by the Department in the sale of surplus agricultural commodities under Section 402. As of November 30, 1954 FOA had approved procurement authorizations under this Section totaling approximately \$56 million worth of agricultural commodities as follows:

2. Sale of U.S. Agricultural Products Under Sec. 402
Promoted--Continued

Commodities	: Quantity: Procurement Authorizations	
	: Metric : (U.S. Export Market Value)	
	: Tons	: (millions of dollars)
Bread grains	421,000	\$29.7
Fats and Oils	750	0.2
Cotton	29,285	24.7
Ocean transporta- tion	:	1.5
Total	451,035	\$56.1

3. Use of American Cotton in the Far East Encouraged:

In the spring of 1954 the Foreign Agricultural Service cooperated with other Departmental agencies and the National Cotton Council by sending technicians to India and other countries to acquaint cotton mill managers and technicians with the improved spinning properties of American cotton, and to discuss technological problems in an effort to increase the use of American cotton.

4. Action on Sale of Cottonseed Oil to Chile Initiated:

During the Agricultural Trade Mission's visits to Chile this year, a shortage of edible oil was noted and discussed with Chilean officials. Shortly thereafter the need for early imports became urgent. No dollars were readily available for the purchase, nor was there any prospect for an agreement under Public Law 480 in time to meet the emergency. Under these circumstances, the Department initiated action which resulted in Chile's obtaining about 25 million pounds of cottonseed oil from Commodity Credit Corporation stocks on a 180-day deferred payment basis. This program involved the full cooperation of the Foreign Agricultural Service, the Commodity Credit Corporation, and the Commodity Stabilization Service, and represented the first Commodity Credit Corporation credit arrangement.

5. Sale of Wheat to Brazil Arranged:

In cooperation with other agencies of the Government, the Department helped to develop and arrange for the sale of about 3,733,000 bushels of wheat to Brazil. This sale of wheat is part of a transaction providing for the exchange of wheat for

strategic materials. If such exchange is not completed Commodity Credit Corporation will obtain dollars for the wheat. Although similar in some respects to transactions under the Agricultural Trade Development and Assistance Act, this transaction was made under the general authority of the Commodity Credit Corporation.

6. Conditions in Fruit and Vegetable Areas Analyzed and Reported:

Immediately upon receipt of advice that the fruit areas of Spain and Italy were gripped by a cold wave in February of 1954, the Foreign Agricultural Service diverted a marketing specialist scheduled for work in Northern Europe to these areas to appraise frost damage. The marketing specialist went into the field and made on-the-spot checks of frost damage in the various export producing areas of Spain and Italy, and provided American producers and exporters with detailed appraisals of the immediate damage and the time required for the injured orange, lemon, almond, and olive orchards of these two countries to recover. The specialist then proceeded to North Europe to complete the original assignment to appraise the possibility of expanding U.S. exports of fruit to those markets formerly supplied by the damaged areas.

7. Sale of Cotton in Japan Promoted:

Following intensive work in Washington with the Export-Import Bank, the Foreign Operations Administration, and the Defense Department, a Foreign Agricultural Service marketing specialist went to Japan in May and June of 1954 and developed a program with the Japanese Government and the cotton spinning industry which, in spite of the general recession in the Japanese economy, should result in increasing the importation of U. S. cotton to more than 1,000,000 bales. This is a complex program development including Export-Import Bank loans, sales for local currency, as well as free dollars, and is expected to provide more than 20 percent of the anticipated export market for U. S. cotton during the 1954-55 marketing year.

8. Agricultural Trade Missions Arranged:

During the spring of 1954 the Department of Agriculture, in response to a Presidential request, sent agricultural trade missions to 35 European, Far Eastern and Latin American countries to study the problems and potentials of expanding agricultural trade with those countries. The Foreign Agricultural Service compiled briefing material on agricultural and trade problems of each country for the members of the Trade Missions, provided executive secretaries to accompany each Mission throughout their trip, contacted the Embassies in each of the countries and made arrangements for meetings through the Agricultural Attaches, handled travel arrangements, and assembled material resulting from the meetings with executives of foreign countries. The Mission reported on the problems noted in developing foreign agricultural trade and recommended steps to be taken to increase the volume of our agricultural exports. The findings and recommendations are included in a published report. While the Missions were optimistic about future agricultural exports, they reported that a great deal should be done now to bring about improvement in U. S. trade relations with foreign countries. Trade prospects that developed as a result of the trip are being followed up.

9. Sale of Lard to Germany Saved:

Early in the calendar year 1954 German officials rejected several lots of American lard and made serious charges regarding the quality of the product being delivered by American exporters. The Foreign Agricultural Service in cooperation with the Commodity Stabilization Service immediately arranged for the dispatch of a qualified lard inspector to Germany to ascertain the facts and recommend a course of action. Within a matter of weeks the inspector and the German officials had clarified the question of quality. The Germans withdrew their charges and accepted the shipment in question. The American technician stayed on for a brief period to work with the German inspectors to acquaint them with our standards, testing methods, and to identify marketing problems with respect to the importation of lard into the German market so that the Department could undertake programs to assist American exporters in supplying the quality of product desired by the German consumer.

10. Foreign Market for Livestock Products Explored:

During fiscal year 1954 an integrated program was developed and marketing specialists are now in the field making the initial surveys required to expand the use of dairy products and identify likely foreign markets. This program includes lengthy discussions with commercial dairy firms in Japan, the U. S. military establishment in Korea, the educational officials in charge of the School Lunch Programs in Japan and Korea, and officials of United Nations International Children's Emergency Fund to determine needs and operating problems.

11. Rice Exports Increased:

During the past year a rice marketing specialist has visited the Far East and Southeast Asia three times for the purpose of studying the market preferences in those countries and keeping U. S. producer-exporters acquainted with sales opportunities in these areas. The success of this effort is indicated in that the total U. S. exports for the first nine months of the current rice marketing year (August 1953 through April 1954) are at an all-time high, and U. S. rice exports to Japan for this period were double that of last year.

12. Reduction in Marketing Quota for Tobacco Prevented:

The Foreign Agricultural Service and the Commodity Stabilization Service designated a team of two tobacco specialists to visit Europe. As a result of this intensive coverage of the European market export prospects improved enough to permit the Department to rescind an announced 10 percent reduction in the marketing quota for fire-cured tobacco and restore almost half of the 20 percent reduction which had been announced on dark air-cured tobacco.

13. Sales of U. S. Agricultural Products Under Section 550 Promoted:

Section 550 of the Mutual Security Act of 1953 provided that not less than \$100,000,000 and not more than \$250,000,000 of funds authorized to be appropriated under that Act should be used to finance the purchase of surplus agricultural commodities, or products thereof, produced in the United States. By working closely with the Foreign Operations Administration in the development of sales of surplus agricultural commodities

under Section 550 several transactions were initiated or promoted including those for the sale of fruit to the United Kingdom. As of June 30, 1954 FOA had approved procurement authorizations under Section 550 totaling approximately \$245 million worth of agricultural commodities as follows:

<u>Commodity</u>	<u>Procurement Authorization</u>
Barley - - - - -	\$ 8,800,000
Beef - - - - -	17,250,000
Broadgrains - - - - -	74,248,000
Butter - - - - -	6,000,000
Canned apricots and peaches	2,500,000
Cotton - - - - -	51,600,000
Corn - - - - -	630,000
Cottonseed oil - - - - -	15,000,000
Fresh oranges and grapefruit and canned grapefruit segments - - - - -	2,500,000
Lard - - - - -	11,997,000
Peanuts - - - - -	1,420,000
Prunes - - - - -	5,000,000
Soybeans - - - - -	2,925,000
Tallow - - - - -	2,000,000
Tobacco - - - - -	38,450,000
Ocean transportation - - - -	<u>4,828,000</u>
Total - - - - -	<u>245,148,000</u>

14. Local Currency-Sale of Wheat to Spain Concluded:

A sale of about 320 million worth of wheat to Spain for local currency was successfully concluded in co-operation with other agencies. The pesetas received from the sale of the wheat are being used by the Department of Defense in connection with U. S. defense work in Spain.

G. Import Controls

1. Section 22 Investigations Conducted:

Section 22 of the Agricultural Adjustment Act, as amended, is designed to protect agricultural programs from being materially interfered with by imports. During the last year preliminary investigations were conducted on 26 commodities. The President directed the Tariff Commission to make investigations on 6 of these commodities - wool, oats, rye, barley, and tung nuts and oil. As a result, import restrictions have been applied on all of these commodities except wool.

2. Import Licenses Issued:

Pursuant to Presidential Proclamations Nos. 3019 and 3025, both issued in June 1953 under Section 22, the Foreign Agricultural Service issues import licenses for certain dairy products for which import quotas are established. During fiscal year 1954, the Department computed and issued over 2,000 licenses controlling imports of various cheeses subject to the import quotas.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Allocations and Working Funds (Advances from other agencies):			
Department of Agriculture:			
Commodity Stabilization Service:			
Commodity Credit Corporation - (capital funds):			
Special school milk program	- - \$50,000,000:	\$50,000,000:	\$50,000,000
Research on grain storage	- - 5,000:	5,000:	5,000
National Wool Act of 1954	- - 32,000:	144,000:	144,000
Grading of Wool	\$16,946:	9,500:	- -
Total, Commodity Credit Corporation - (Capital funds)	15,946:	50,046,500:	50,149,000
Commodity Credit Corporation - (administrative expense funds):			
Administration of special school milk program	- - 185,000:	250,000:	250,000
Section 416 donations	- - 136,700:	136,700:	136,700
Operation of commodity teletype	- - 11,750:	12,000:	12,000
Research on peanuts and grain storage	- - 95,500:	95,500:	95,500
Total, Commodity Credit Corporation - (administrative expense funds)	- - 428,950:	494,200:	494,200
Agricultural Adjustment Programs - For crop estimates and statistics	260,637:	222,000:	222,000
Total, Commodity Stabilization Service	277,583:	50,697,450:	50,865,200
Federal Crop Insurance Corporation - For furnishing cost of production and special crop data for various crops insured by Federal Crop Insurance Corporation	58,599:	- -	- -
Total, Department of Agriculture	336,182:	50,697,450:	50,865,200
Department of the Army:			
For inspection of:			
Dairy products	- - 10,000:	- -	- -
Fresh and processed fruits and vegetables	414,731:	365,000:	- -
Miscellaneous grain and cereal products	57,805:	65,000:	- -
Poultry	- - 475,000:	- -	- -
Total, Department of the Army	472,536:	915,000:	- -

(Continued on next page)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Department of Commerce (Bureau of the Census) - Compilation of special price data for 1954 Census of Agriculture	- -	21,000:	- -
Foreign Operations Administration:			
Training services	42,480:	34,300:	- -
Technical consultation and support	6,380:	23,500:	- -
Administrative expenses	1,198:	1,200:	- -
Revision of publication "Guide to Agriculture"	- -	7,000:	- -
Total, Foreign Operations Administration	50,058:	66,000:	- -
Total, Allocations and Working Funds	858,776:	51,699,450:	50,865,200
Trust Funds:			
Expenses and Refunds, Inspection and Grading of Farm Products, Agricultural Marketing Service - Inspection, grading and certification of:			
Fresh and processed fruits and vegetables	3,302,092:	3,375,330:	3,566,330
Dairy and poultry products	4,692,275:	4,900,775:	5,000,775
Rice, hay, beans, peas, seed, hops, and miscellaneous agricultural commodities	611,313:	658,855:	658,855
Meats and wool	3,525,395:	3,181,195:	3,181,195
Naval stores	17,916:	19,170:	19,170
Cottonseed	- -	37,275:	37,275
Total.....	12,148,991:	12,172,600:	12,463,600
Miscellaneous Contributed Funds:			
For research on retail store availability and consumer panel purchases of fruits and fruit products	59,703:	39,405:	40,000
For estimating the distribution and utilization of wheat in the Pacific Northwest	663:	- -	- -
Cooperative work on control of insects in stored grains	12,688:	2,160:	- -
For research on insect infestation in whole black pepper	6,368:	7,520:	7,500
For research on industrial fumigants for stored products	6,495:	3,505:	- -
For studies on consumer purchases of specified dairy products	- -	30,000:	25,000
Total	85,917:	82,590:	72,500
Total, Trust Funds	12,234,908:	12,255,190:	12,536,100

(Continued on next page)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Obligations under Reimbursements from			
<u>Governmental and Other Sources:</u>			
<u>Marketing Research and Service:</u>			
Marketing research and agricultural estimates:			
Marketing research	64,389:	10,000:	10,000
Economic and statistical analysis ...	381:	2,900:	2,900
Crop and livestock estimates	14,414:	16,000:	16,000
Total, Marketing research and agricultural estimates	79,184:	28,900:	28,900
Marketing services:			
Market news service	48,421:	700:	700
Inspection, grading and classing and standardization	1,416,355:	1,749,500:	1,837,000
Total, Marketing services	1,464,776:	1,750,200:	1,837,700
All other	240,174:	336,400:	348,900
Total, Marketing Research and Service.	1,784,134:	2,115,500:	2,215,500
<u>School Lunch program</u>	1,151:	- -:	- -
<u>Removal of Surplus Agricultural Commodities:</u>			
Surplus removal operating expenses ...	46,558:	- -:	- -
Marketing agreements and orders	- -:	2,011:	- -
All other	510:	- -:	- -
Total	47,068:	2,011:	- -
Total, Obligations under reimbursements .	1,832,353:	2,117,511:	2,215,500
TOTAL, OBLIGATIONS UNDER ALLOCATIONS			
AND OTHER FUNDS	14,926,037:	66,072,151:	65,616,800

PAS ENGER MOTOR VEHICLES

The 1956 estimates provide for the replacement of 75 passenger cars representing 18 percent of the total of 418 cars available to the Agricultural Marketing Service. These replacements include: (a) 14 cars for Marketing Research and Agricultural Estimates activities; (b) 45 cars for Marketing Services activities; (c) 15 cars for Market Inspection and related trust fund activities; (d) 1 car for Perishable Agricultural Commodities Act fund activities.

Passenger vehicles are replaced on the basis of justification with respect to mileage and age standards prescribed by the Bureau of the Budget which provide that vehicles to be replaced must be at least six or more years of age or driven 60,000 miles or more, and other factors.

These replacements are necessary for providing essential service under AMS programs such as: (1) carrying special grading and testing equipment used for inspecting and grading commodities and for work required under U. S. Warehouse Act, Packers and Stockyards Act, U. S. Grain Standards Act, Cotton Acts and Naval Stores Act; (2) carrying special crop meter equipment used in connection with surveying crop conditions at farms; (3) collection of samples for checking and testing under U. S. Grain Standards Act, Cotton Acts, and for inspection of farm products; (4) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and for assistance to farmers in preparing tobacco for market; (5) for travel to places which are in most cases not accessible by common carrier, such as travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses.

The cars are assigned to those field offices of the Divisions which require the use of cars in the efficient operation of their programs, after it has been determined that the use of Government vehicles is more economical than to pay mileage rates for use of private cars and the use of common carrier has not been feasible. For example, in the inspection of fruits and vegetables, the cars are assigned to field offices on the basis of the volume of work. This inspection service is performed on a fee basis and by using these cars the inspectors are able to service a greater area without any loss in time or revenue.

To assure proper utilization of cars, monthly operating reports are required and periodic surveys are made to determine the extent to which the vehicles are being used and their condition. Cars which are found to be in excess of the needs of an office are recommended for reassignment to other locations or declared surplus.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1954 follows:

<u>Age Data</u>		<u>Mileage Data</u>	
<u>Age-Year</u> <u>Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Lifetime</u> <u>Mileage</u>	<u>Number of</u> <u>Vehicles</u>
1954	18		
1953	45	0 - 10,000	40
1952	66	10,000 - 20,000	48
1951	50	20,000 - 40,000	140
1950	55	40,000 - 60,000	107
1949	63	60,000 - 80,000	53
1948	53	80,000 - 100,000	12
1947	41	over 100,000	6
1946 and older	<u>15</u>		
Total	406	Total	406

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service administers the foreign agricultural programs of the Department and develops plans and policies related to the administration of the foreign affairs and interests of U. S. agriculture. It disseminates to American agriculture the basic information essential to the aggressive foreign marketing of U. S. agricultural products and to making necessary adjustments to meet changing situations abroad. The Service works in the following fields:

Foreign Marketing Development -- The Service conducts a broad program designed to develop foreign outlets for agricultural products and analyzes competition and demand factors relating to foreign marketing. It administers export programs, including programs under the Agricultural Trade Development Act of 1954 and related authorizations, as well as import programs and controls. The Service represents the Department at international commodity conferences and on foreign commodity matters at national conferences. Work directly related to the development of foreign markets is financed from funds allotted to the Service under the appropriation "Removal of Surplus Agricultural Commodities" pursuant to Section 32 of the Act of August 24, 1935 as amended.

Foreign Agricultural Trade and Analysis -- The Service directs and coordinates the continuous economic analysis and interpretation of world conditions and developments that significantly affect the retention and expansion of foreign markets for American products. It analyzes and interprets world trends in foreign agricultural products, trade, price, finance, consumption and economic policies of foreign governments as such trends affect United States foreign agricultural trade. It analyzes the effects of restrictive trade policies on the demand for American farm products and develops and coordinates the basic policies and programs for the removal or easing of restrictions and for the encouragement of world trade in American agricultural products. The Service participates in agricultural international organizations and trade conferences.

Agricultural Attaches -- The Service directs and coordinates a world-wide agricultural attache service with particular emphasis on the development of markets for American products, and on trade reporting from foreign areas designed to aid American farmers and exporters.

Assistance to Foreign Operations Administration -- The Service also participates in the administration of the agricultural portion of the foreign assistance program with funds allocated from the Foreign Operations Administration. This work includes coordination of the Department's participation in the program and direction of the training program for foreign agricultural leaders, and the providing of technical information and advice in connection with the operation of the agricultural technical assistance program in foreign countries.

As of November 30, 1954, 503 employees were being paid by the Foreign Agricultural Service either directly or by reimbursement. Of this total, 171 were paid directly from this appropriation, 75 were paid from this

appropriation through reimbursements to the Department of State for agricultural attache staff not yet transferred, 156 were paid from funds allotted under the appropriation "Removal of Surplus Agricultural Commodities" (Section 32), and 101 were paid from allocations and reimbursements from other agencies. Of the total number of employees, 396 were located in Washington, D. C. and 107 were stationed in foreign countries.

	Estimated Available, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated funds	\$2,515,000	\$3,365,000

REVISION OF ACTIVITY SCHEDULE

The reorganization of the Foreign Agricultural Service, and the transfer of the agricultural attache program from the Department of State to the Department of Agriculture has necessitated a change in the activities to present more clearly the functions which are being performed. The proposed revision of the activity schedule is as follows:

<u>Present</u>	<u>Proposed</u>
International Agricultural Trade Foreign Production and Consumption of Agricultural Products Administration of Agricultural Attache Service	Analysis of Foreign Agriculture and Trade Agricultural Attaches

Under the proposed activity structure, Analysis of Foreign Agriculture and Trade, includes all functions of this Service under this appropriation, except that part relating directly to the attache program. As the agricultural attache program is now in the Department of Agriculture, it is proposed that all of this work be shown under the one activity entitled Agricultural Attaches.

The following schedule reflects the activity structure based on estimated funds available for fiscal year 1955.

PROPOSED REVISION OF ACTIVITY SCHEDULE

Salaries and Expenses, Foreign Agricultural Service

(Based on amount appropriated for fiscal year 1955 as adjusted for comparability with the 1956 Budget Estimate)

<u>PRESENT STRUCTURE</u>		:	<u>PROPOSED STRUCTURE</u>	
	:	:	Analysis of	:
	Total	:	foreign	Agricultural
	Amount	:	agriculture	attaches
	:	:	and trade	:
SALARIES AND EXPENSES:		:	:	:
International agricultural trade	\$466,120:	:	\$386,920:	\$79,200
Foreign production and consumption:	:	:	:	:
of agricultural products	498,880:	:	498,880:	- -
Administration of agricultural	:	:	:	:
attache service	1,550,000:	:	- -:	1,550,000
TOTAL, SALARIES AND EXPENSES		:	885,800:	1,629,200

Salaries and Expenses

Appropriation Act, 1955	\$965,000
Transferred from "Salaries and expenses, State" pursuant to Public Law 663 for agricultural attaches	+1,400,000
Activities transferred in the 1956 estimates for establish- ment of an agricultural attache service in the Depart- ment from:	
"Salaries and Expenses, State"	+100,000
"Government in occupied areas, State"	+50,000
Base for 1956	2,515,000
Budget Estimate, 1956	3,365,000
Increase (to strengthen and expand the attache program).....	+850,000

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
1. Analysis of foreign agriculture and trade ..	\$725,448:	\$885,800:	- -	\$885,800
2. Agricultural attaches ..	1,627,776:	1,629,200:	+\$850,000(1):	2,479,200
Unobligated balance	22,040:	- -:	- -	- -
Total available or estimate:	2,375,264:	2,515,000:	+850,000	3,365,000
Transferred from:				
"Salaries and expenses, Farmers' Home Administration"	-30,000:	- -:		
"Salaries and expenses, State"	- -:	-1,400,000:		
Transfer in 1956 estimates from:				
"Salaries and Expenses, State"	-1,500,000:	-100,000:		
"Government in occupied: Areas, State"	-50,000:	-50,000:		
Transfer in 1955 estimates from:				
"Agricultural Marketing Act, Agriculture" ...	-122,264:	- -:		
Total appropriation or estimate	673,000:	965,000:		

INCREASE

(1) An increase of \$850,000 under the project "Agricultural attaches" to strengthen and expand the agricultural attache program.

Need for Increase: The prosperity of United States agriculture depends to a substantial extent upon a high level of agricultural exports. One of the most promising outlets for the disposal of these commodities is

by sale in other countries. For almost 15 years the demands during the war and post-war periods have been such that it has not been necessary for either the government or private trade to exert much effort to sell U. S. products abroad. This situation has now been reversed and it will require the fullest cooperative efforts between the Government and the various trade groups to sell American farm products to other countries.

It is increasingly important that the United States have adequate agricultural representation at strategic points in other countries. This representation is needed to aid in developing foreign markets abroad for American agricultural products, and to obtain information that is needed by farmers, processors, distributors, and exporters in the United States. The movement of agricultural commodities into export channels can be aided by working with foreign governments in trying to remove barriers which tend to restrict the flow of commodities into export channels. Information is needed as to the marketing situations abroad and the production of agricultural commodities which may compete with production in the United States so that producers in this country may make necessary adjustments in their production and marketing to meet the changing conditions. This information also enables exporters to determine areas in which they may be able to develop markets. To take advantage of favorable developments for maintaining and increasing exports of U. S. farm products, adjustments must continually be made by producers, processors, distributors and exporters.

Direct responsibility for the agricultural attache program was placed in the Department of Agriculture on September 1, 1954 by Public Law 690, approved August 28, 1954. The Department is moving forward as rapidly as possible within the funds available for 1955 in placing the attaches at the various foreign posts where it is expected that the maximum results can be obtained in carrying out the objectives of this program. However, the present agricultural attache system is inadequate to provide the service now required by American agriculture. It needs to be strengthened and expanded. There is a definite need to provide service in countries not now covered, some of which have grown in importance as U. S. farm commodity markets or as competitors of U. S. farm production. At other posts the agricultural representation needs to be strengthened and improved.

The increase requested for 1956 would also provide for the salaries and expenses of the agricultural attaches in Germany and Austria, which in 1955, are being paid by the State Department from the appropriation "Government in Occupied Areas". Although the attaches in these two countries are working under the direction of the Department of Agriculture in 1955, no funds for their expenses were provided in the Supplemental Appropriation Act, 1955.

Plan of Work: To provide for the expansion which is necessary to accomplish the full objective of this program, it is contemplated that in fiscal year 1956 the number of posts to which attaches will be stationed will be increased from 42 to 59, with accompanying staff and related supporting services. The agricultural attaches and assistant attaches would be

increased from 53 to 81. The proposed new posts to be established would include:

- (a) Areas which now are, or may become, important markets for American agricultural products.
- (b) Nerve centers for international trade in farm products where valuable trade information can be obtained and changing situations can be detected promptly.
- (c) Agricultural areas where farm production is now or potentially may become, seriously competitive with United States farm products.
- (d) Areas where major gaps in coverage exist, such as in the continent of Africa where there is only one post at the present time.

It is also expected that changes will need to be made from time to time in the posts covered to take into account changing situations of production or marketing which are important to U. S. farmers and trade.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

- For necessary expenses for the Foreign Agricultural Service,
- 1 including carrying out title VI of the Agricultural Act of 1954 (Public Law 690, approved August 28, 1954), and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, [\$965,000]
 - 2 including not to exceed \$20,000 for representation allowances, \$3,365,000.
 - 3 [For an additional amount for "Foreign Agricultural Service", including not to exceed \$15,000 for representation allowances, \$1,400,000, which shall be derived from the "Salaries and expenses" appropriation available to the Department of State: Provided, That transfers shall be made under this authorization in lieu of any similar transfers which may be authorized under the Agricultural Act of 1954 (H. R. 9680, Eighty-third Congress): Provided further, That this paragraph shall be effective only upon the enactment into law of H. R. 9680, Eighty-third Congress.]

The first change in language is for the purpose of including reference to the authorities contained in title VI of the Agricultural Act of 1954 (Public Law 690, approved August 28, 1954) relating to the establishment and maintenance of the agricultural attache service in the Department of Agriculture.

The second change in language proposed to increase from \$15,000 to \$20,000 the limitation provided for part of fiscal year 1955 in the Supplemental Appropriation Act, 1955 (Public Law 663) for representation allowances in foreign countries for agricultural attaches. The proposed increase is to place the amount of the limitation on a full-year basis for 1955 personnel, and to include \$2,000 to provide for additional personnel requested for 1956.

The third change deletes language contained in the Supplemental Appropriation Act, 1955, providing for the transfer of \$1,400,000 to this item from the appropriation "Salaries and expenses, State" to carry out, for a part of the fiscal year 1955, provisions of title VI of the Agricultural Act of 1954 (Public Law 690).

STATUS OF PROGRAM

Current Activities: Farmers of the United States are affected by many decisions which are made and actions taken throughout the world. The utilization of the large productive capacity of farms in the United States requires the maintenance of an active export market. It is of vital importance that the interests and problems of United States farmers be taken into account whenever decisions are made on important foreign relations problems.

The stabilization and expansion of world trade, particularly in agricultural products, is actively encouraged through the removal of barriers to trade, the solution of monetary problems, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities throughout the world, and making facts obtained available to U. S. farmers, processors, exporters and other interested groups.

It is essential that U. S. agricultural interests be represented, and that their position be presented effectively in consideration of international agreements. This Service continues to carry out this responsibility.

The placing of the agricultural attaches under the direction of the Department of Agriculture has opened the way for increased effort in improving the comprehensive schedule of foreign agricultural market and trade reporting by agricultural attaches and officers at United States embassies abroad, and for concentrated effort in the development of foreign markets for American products.

The information obtained by the attaches on foreign market and trade conditions is utilized in making detailed analyses of foreign agriculture, and interpreting trends of importance to farmers and trade groups in this country. Among other items these analyses include production, finance, marketing, and consumption and prices, along with the policies and trade patterns of the various countries of the world. Consumer requirements and consumption levels are important items in such analyses. The present and potential competition to be met by United States commodities is also carefully studied and results made available to agricultural groups.

Farmers and farm groups in the United States are able to adjust their activities and take advantage of market opportunities abroad only to the extent that adequate information can be made available to them. Continued efforts to improve this service are being made.

A related program of development of market abroad for United States agricultural products in surplus or potential surplus supply is being carried out and substantially expanded under an

allotment from the Appropriation "Removal of Surplus Agricultural Commodities (Section 32)". This program is concerned with strengthening and expanding foreign markets for disposal of American agricultural products on a continuing basis.

Under a second phase of this program special emphasis is placed on the sale abroad of surplus agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480 of the 83rd Congress and related Acts. Public Law 480 authorizes the sale of surplus agricultural commodities to friendly nations under certain circumstances for foreign currencies. This work in the Foreign Agricultural Service is also financed by an allotment from Section 32 funds.

Selected Examples of Recent Progress:

U. S. Foreign Marketing Problems Analyzed: During the past year the Foreign Agricultural Service completed several studies designed to indicate the principal problems encountered in marketing U. S. agricultural products in our leading foreign markets. The studies for each country analyzed changing patterns of trade in agricultural products in the light of developments in agricultural production, consumption shifts, foreign exchange resources, trade restrictions, and price competition in competitive areas abroad. Reports have been completed for Japan, India, West Germany, Belgium, and the United Kingdom. While the details vary, these analyses show that the major problems center around price competition, quality, and dollar resources.

Market and Price Policies of Foreign Countries Reported: A report on the agricultural market and price policies of foreign countries was prepared and published during 1954. It summarizes the principal types of market and price controls which are among the chief impediments for U. S. agricultural exports that have prevailed in the world in recent years. It also contains individual summaries for some 26 countries in Western Europe, the Far East, Middle East, and Latin America, as well as Canada, Australia, New Zealand, the Soviet Union and the Iron Curtain Countries of Eastern Europe. The report is a valuable aid to those who are concerned with an evaluation of foreign demand for, and competition with, U. S. agricultural products by providing in condensed form useful data covering a large part of the world.

Export-Import Bank Loans Recommended: This Service has primary responsibility for the Department in recommending to the Export-Import Bank loans (including securing favorable National Advisory Committee action thereon) for financing agricultural exports. Several loans have been made during the past year that have facilitated the export movement of an increased volume of agricultural commodities, particularly cotton.

Foreign Restrictions on United States Exports Relaxed: One of the important accomplishments during the year has been to obtain a promise from most of the foreign market countries to relax and eventually remove government restrictions against United States products as dollars become more abundant and the balance-of-payments position of such countries improves. These actions would be taken in return for United States tariff reductions under the trade agreement program. In the confusion of international economic developments in the past few years, there has been a tendency to defer indefinitely the carrying out of these undertakings. The Service has taken a leading role in insisting on holding the foreign importing countries accountable for the extent and nature of their import restrictions. These recommendations have been accepted in general as government policy and consultations have been held with the restricting countries regarding their manner of carrying out their obligations. This has been an important factor in the inclusion of import United States agricultural commodities in the liberalization of trade and exchange controls carried out during the year by the United Kingdom, Germany, Belgium, and the Netherlands.

World Coffee Situation Followed: In response to Congressional and importer demands and public concern over the sharp rise in coffee prices in late 1953 and early 1954 a comprehensive report on the current world coffee situation was released by the Service early in the spring. This has been followed by a series of short up-to-the-minute reports issued at brief intervals to keep all interested parties current on the developments in specific coffee producing and consuming areas of the world.

Livestock Products Situation in Mexico Appraised: During the fall of 1953 considerable concern on the part of Western beef producers was expressed regarding the possible rise in the importation of Mexican cured and pickled beef. A livestock specialist was sent into Northern Mexico to appraise the situation. As a result of this action U. S. producers were furnished with on-the-spot information and Mexican imports for these products were held at normal levels without formal government action.

Surveys of Foreign Competitive Crops Made: A series of on-the-spot surveys have been made to determine the production and exporting potential of foreign competitors for several U. S. export crops. During the last fiscal year a fats and oils technician visited producing farms and plantations and community processing sheds for peanuts and peanut oil, palm nuts and palm oil, and other tropical oil seeds in West Africa; a tobacco specialist studied the tobacco producing areas of East and South Africa and Southern Brazil; and a citrus fruit specialist surveyed the Mediterranean citrus fruit producing areas. Detailed reports of the findings on these surveys have been circulated to all interested producers and exporters of these commodities.

Foreign Agricultural Service Reorganized: In order to give greater emphasis to the expansion of foreign markets for U. S. agricultural products and the strengthening of United States foreign service and trade program activities the Foreign Agricultural Service was reorganized in November, 1953.

Particular emphasis is placed on the development of foreign markets and the disposal of surplus agricultural commodities in foreign markets. This program is financed from funds allocated under Section 32 of the Act of August 24, 1935, as amended. The market development program is set up under an Assistant Administrator with the following divisions: Cotton, Fats and Oils, Fruit and Vegetable, Grain and Feed, Livestock and Livestock Products, Tobacco, Sugar and Tropical Products, and Foreign Trade Programs. A Foreign Service and Agricultural Analysis group is under the direction of an Assistant Administrator. This group is financed from funds provided under the Salaries and Expenses appropriation, and provides for studies in connection with the changing patterns of trade in agricultural products, trade restrictions in the foreign market area. These activities support the foreign market development program.

Agricultural Attaches Transferred to Department of Agriculture: The Agricultural Act of 1954 authorized the Secretary of Agriculture to appoint agricultural attaches as employees of the Department of Agriculture to aid in meeting the Department's responsibilities in the marketing of U. S. farm commodities and in aiding U. S. farmers, processors, distributors, and exporters to make needed adjustments in their operations. Within the Department, this activity is the responsibility of the Foreign Agricultural Service. In accordance with the provision of funds for this work in the Supplemental Appropriation Act, 1955, responsibility for the agricultural attache program was transferred from the Department of State on September 1, 1954.

As of December 1 there were transferred to the Department of Agriculture from the Department of State, 29 attaches and assistant attaches. There are still remaining on reimbursable detail for transfer as rapidly as possible, about 15 attaches and assistant attaches, 5 American secretaries, and 29 local employees. An interim agreement has been entered into with the Department of State which provides for the furnishing of reports from posts where there are no agricultural attaches, and for the furnishing of administrative services to the agricultural attache staff at foreign posts. A permanent agreement is under negotiation with the State Department to replace the present interim agreement.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations: 1954	Estimated Obligations: 1955	Estimated Obligations: 1956
AlLOTment from:			
<u>Removal of Surplus Agricultural Commodities:</u>			
For development of foreign market outlets for surplus and potential surplus American agricultural commodities	\$524,781:	\$1,100,000:	\$1,200,000
For the administration of Import Controls under Section 22 of the Agricultural Adjustment Act, as amended	188,256:	196,625:	196,625
Total Allotment	713,037:	1,296,625:	1,396,625
Allocations and Working Funds (Advances from other agencies):			
<u>Department of State:</u>			
For conducting an educational program for a trainee from Argentina in forestry methods	- -:	1,943:	- -
For conducting a training program in agriculture for Finnish nationals	4,950:	2,520:	- -
Total, Department of State	4,950:	4,463:	- -
<u>Department of the Army:</u>			
Special project	59:	- -:	- -
<u>Foreign Operations Administration:</u>			
For technical assistance to friendly nations	3,488,128:	147,802:	- -
For expenses incident to the Foreign Trainee Program	3,554,789:	3,603,000:	- -
For preparing statistical information on agricultural conditions and food balances in Europe and the Far East ..	17,438:	17,000:	- -
Total, Foreign Operations Administration	7,060,355:	3,767,802:	- -
Total, Allocations and Working Funds	7,065,364:	3,772,265:	- -
Trust Fund:			
<u>Expenses, Foreign Students</u> - For expenses under Point IV training grants awarded to two Chilean nationals	1,565:	- -:	- -
<u>Obligations Under Reimbursements From Governmental and Other Sources:</u>			
Salaries and Expenses	107,600:	87,600:	87,600
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	7,887,566:	5,156,490:	1,484,225

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the act are: to prevent commodity price manipulation and corners; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and manipulative practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic act was designated as the Grain Futures Act and conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act", and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the act of October 9, 1940; and wool was added by enactment of Public Law 690 of August 28, 1954.

These functions carried out under the Act are performed through a central organization in Washington and five field offices, located in the commodity markets at Chicago, Kansas City, Minneapolis, New Orleans, and New York. On November 30, 1954, the Commodity Exchange Authority had 115 employees, 36 of whom were stationed in Washington, D. C. and 79 in the field offices.

	Appropriated, 1955 <u>-----</u>	Budget Estimate, 1956 <u>-----</u>
Appropriated funds	\$693,000	\$698,000

Salaries and Expenses

Appropriation Act, 1955	\$673,000
Supplemental appropriation for 1955 (Supplemental Appropriation Act, 1955).....	20,000
Base for 1956	<u>693,000</u>
Budget Estimate, 1956	<u>698,000</u>
Increase (for placing on full-year basis regulation of futures trading in wool under provisions of amendment to the Commodity Exchange Act effective in 1955)	<u>+5,000</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
1. Licensing	\$45,834:	\$46,000:	- -	\$46,000
2. Supervision of futures: trading	363,177:	377,200:	+\$3,500	380,700
3. Audits	159,773:	150,300:	+1,500	151,800
4. Investigations	118,641:	119,500:	- -	119,500
Unobligated balance	4,848:	- -:	- -	- -
Total available or estimate	692,273:	693,000:	+5,000(1):	698,000
Transferred to "Salaries and expenses, Extension: Service"	+7,727:	- -:		
Total appropriation or estimate	700,000:	693,000:		

INCREASE

(1) An increase of \$5,000 for regulation of futures trading in wool.

Need for Increase: The Supplemental Appropriation Act, 1955, provided \$20,000 for regulation of futures trading in wool upon enactment of Section 710(a) of Public Law 690, Eighty-third Congress, which extended the provisions of the Commodity Exchange Act to wool. This section became effective October 27, 1954. The additional funds are required to place the enforcement program upon a full-year basis in 1956.

Plan of Work: Enforcement of the Commodity Exchange Act is a continuing program requiring designation of commodity exchanges as contract markets; registration of futures commission merchants and floor brokers; study, analysis, and publication of market information and data; audit and examination of books of futures commission merchants; analysis of brokers' and traders' books and financial statements; investigation of violations of law and regulations; conducting trade practice

surveys to discover violations and compile legal evidence; and preparation and presentation of evidence of violations in administrative hearings and judicial proceedings. For wool, as for other commodities, the prevention of manipulation, cornering, and other abuses requires continuing appraisal of futures market forces, of which the operations of large traders, the extent of hedging and speculation and deliveries in settlement of futures contracts, are important parts. Additional audits of records of futures commission merchants carrying accounts of customers in wool futures will also be required to place the segregation audit program on a full-year basis.

STATUS OF PROGRAM

Objective and Functions: Enforcement of the Commodity Exchange Act requires supervision over 17 commodity exchanges designated as "contract markets." Enforcement is a continuous process involving:

1. Market designation and broker registration: (a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; and (c) continuing review of exchange rules and regulations.
2. Supervision of futures trading: (a) Compilation, audit, tabulation and review of trade reports and current market analyses; (b) establishment, enforcement and review of speculative limits; (c) review of market news and letters; (d) maintenance of a quotation and ticker service; (e) analysis of cash commodity transactions; (f) cooperative activities with control committees of contract markets; (g) observance of floor trading; and (h) compilation and publication of market information.
3. Prevention of misuse of customers' funds: (a) Audit and examination of records of futures commission merchants and (b) analysis of brokers' financial statements.
4. Investigation and control of trade practices: (a) Investigation of complaints and alleged and apparent violations; (b) trade practice audits and surveys; (c) investigation of delivery practices; and (d) preparation and presentation of evidence of violations in administrative hearings and judicial proceedings.

Recent activities:

MARKETS, COMMODITIES, AND BROKERS

During the fiscal year 1954 the Commodity Exchange Authority supervised futures trading on the commodity exchanges designated as contract markets under the Commodity Exchange Act. The 17 commodity exchanges, currently designated as contract markets, and the 19 commodities in which futures trading was conducted are listed below:

<u>Market</u>	<u>Regulated commodity</u>
Chicago Board of Trade.....	Wheat, corn, oats, rye, soybeans, lard, cotton, soybean oil, grain sorghums, soybean meal.
Chicago Mercantile Exchange.....	Butter, eggs, potatoes.
Chicago Open Board of Trade.....	Wheat, corn, oats, rye, soybeans.
Duluth Board of Trade.....	(No trading in 1954 fiscal year.)
Kansas City Board of Trade.....	Wheat, corn, bran, shorts, grain sorghums.

Market (Cont.)

Regulated commodity

Memphis Board of Trade Clearing Association	Cottonseed meal, soybean meal, soybeans.
Milwaukee Grain Exchange.....	Wheat, corn, oats, rye.
Minneapolis Grain exchange.....	Wheat, oats, rye, flaxseed.
New Orleans Cotton Exchange.....	Cotton.
New York Cotton Exchange.....	Cotton.
New York Mercantile Exchange.....	Potatoes.
New York Produce Exchange.....	Cottonseed oil, soybean oil.
Portland Grain Exchange.....	(No trading in 1954 fiscal year.)
St. Louis Merchants' Exchange....	(No trading in 1954 fiscal year.)
San Francisco Grain Exchange.....	(No trading in 1954 fiscal year.)
Seattle Grain Exchange.....	Wheat
Wool Associates of the New York Cotton Exchange.....	Wool tops.

During the fiscal year 1954, there were 623 futures commission merchants registered, compared with 658 during the previous year. The number of floor brokers registered was 851 compared with 866 a year previous. As of June 30, 1954, the registered futures commission merchants maintained a total of 1864 principal and branch offices, and had agents in 291 offices other than their own engaged in soliciting or accepting orders for the purchase or sale of commodities for future delivery. Of the 571 active futures commission merchants registered as of June 30, 1954, for the 1954 calendar year, 303 were partnerships, 161 were corporations, and 105 were sole proprietorships.

Bylaws, rules, regulations, and resolutions submitted to the Authority by contract markets pursuant to requirements, were reviewed currently and changes proposed whenever necessary to effect compliance with the statute.

Registration fees collected from futures commission merchants and floor brokers, which are deposited with the United States Treasury as miscellaneous receipts, totaled \$18,062, as compared with \$18,676 for the previous year.

FUTURES TRADING

Futures transactions.-Trading activity in all commodities as measured by number of transactions (purchases and sales in terms of contract units) decreased by 4 percent from the previous year. In 1954, total transactions were estimated at 8,460,000 compared with 8,792,000 in 1953. The 1954 figure was 23 percent above the 10-year (1944-53) average of 6,880,000.

Estimated value of trading.-The value of futures trading in regulated agricultural commodities was estimated at \$42,135,519,000, a decrease of 7.5 percent from the 1953 total of \$45,560,276,000.

Volume of trading.-Figures on trading volume given below show continued high levels in the grain and fats and oils markets, but a marked decrease in cotton, and mixed trends in other commodities.

The futures volume in all grains, including soybeans, was 14,228,011,000 bushels, an increase of 8.6 percent over the preceding fiscal year. Activity in soybeans, amounting to 5,147,957,000 bushels, was the largest on record. Trading in wheat also increased considerably, and was above the average for the preceding 10-year period.

The relatively large volume of trading in fats and oils was accounted for by increased activity in soybean oil and lard. Trading in cottonseed oil dropped to about one-third that of 1953.

The cotton futures volume, amounting to 44,886,000 bales, was 51 percent below 1953, and the smallest since 1945.

Activity in egg futures was at a record high being slightly larger than in 1951, the previous record year. Trading in potato futures dropped considerably below the record level of 1953, but was much larger than in any year preceding 1953.

Volume of futures trading on all contract markets combined, by commodities, fiscal years ended June 30, 1953 and June 30, 1954.

Commodity	Unit	1953	1954	Percent of increase or decrease
Wheat	1,000 bushels	3,780,534	4,763,276	+ 26.0
Corn	do.	2,811,204	2,343,979	- 16.6
Oats	do.	2,421,172	1,232,496	- 49.1
Rye	do.	703,044	724,630	+ 3.1
Soybeans	do.	3,346,329	5,147,957	+ 53.8
Flaxseed	do.	32,039	14,637	- 54.3
Grain Sorghums	Million pounds	682	58	- 91.5
Cotton	1,000 bales	91,335	44,886	- 50.9
Wool tops	1,000 pounds	154,910	103,540	- 33.2
Butter	Carlots	7,293	115	- 98.4
Eggs	do.	145,588	149,163	+ 2.5
Potatoes	do.	123,449	67,525	- 45.3
Cottonseed Oil	1,000 pounds	3,050,280	871,680	- 71.4
Soybean Oil	do.	3,048,720	4,711,260	+ 54.5
Lard	do.	1,414,080	2,861,920	+ 102.4
Bran	Tons	246,450	142,320	- 42.3
Shorts	do.	195,900	88,680	- 54.7
Cottonseed Meal	do.	98,200	216,300	+ 120.3
Soybean Meal	do.	1,837,900	4,054,000	+ 120.6

Reports.-A total of 535,407 reports on the volume of futures trading and open contracts was received, tabulated, summarized and analyzed, a decrease of 4.6 percent from the 561,225 reports made in 1953. Of these,

248,436 were reports from brokers on daily volume of trading and open contracts, while 286,971 were from reporting traders and brokers relating to the daily futures operations of large traders and their weekly positions in cash commodities.

Delivery notices.-During 1954 a total of 29,170 copies of delivery notices were submitted by exchange clearing members, compared with 43,524 in the 1953 year.

Publications.-The agency's statistical annual, Commodity Futures Statistics, was published and distributed during the year. The publication included basic data on volume of trading, open contracts, prices and other phases of futures trading in all commodities under the act for the year ending June 30, 1953. Major regulatory activities of the agency in the 1953 fiscal year were summarized and published in the annual report of the administrator.

The field offices continued to compile and publish the daily reports on volume of trading and open contracts in regulated commodities on the principal markets, and also the monthly statistical reports, Trade in Grain Futures and Trade in Cotton Futures.

SPECULATIVE LIMITS

Enforcement.-The purpose of limits on speculative trading and positions established by the Commodity Exchange Commission and enforced by the Commodity Exchange Authority is to diminish, eliminate, or prevent excessive speculation causing sudden, unreasonable or unwarranted price changes. During the year the CEA effectively enforced speculative limits on all commodities for which such limits have been established, by keeping close watch on the transactions of large speculators, and particularly those operating near the limits. This was done by carefully checking the required daily reports from commodity brokers and large traders, and by other surveillance and compliance procedures. There were 26 violations of the limits, as compared with 32 in the preceding year. Violations during the year involved the following commodities: Wheat 2, corn 1, rye 5, soybeans 6, cottonseed oil 2, soybean oil 4, and lard 6. Summary data on trading volume, open contracts, and commitments of large speculators are received currently to determine the need for more extensive analyses and preparation of evidence for revision of existing limits.

Revision of limits on fats and oils.-Limits on speculative trading and positions in cottonseed oil, soybean oil, and lard became effective April 1, 1953, by orders of the Commodity Exchange Commission issued January 16, 1953, following public hearings.

Subsequently, in light of facts and circumstances brought to its attention after the orders were issued, the Commodity Exchange Authority recommended to the Commission that further consideration be given to certain problems created by the application of the orders to manufacturers and processors of the three commodities and further hearings were held before the Commission in May and July 1953.

As a result, the Commodity Exchange Authority recommended to the Commission that the orders be amended to exempt bona fide cross-hedging in these commodities by dealers, merchandisers, and processors of edible fats and oils. A further amendment was recommended to provide for the inclusion of the lard yield of hogs owned or purchased in determining the hedgeable interest of packers and processors. Simultaneously, in view of changes in patterns of trading and speculative activity in the fats and oils markets, the CEA recommended that the speculative limits be suspended until such time as fixed by the Commission pursuant to at least 30 days' notice.

On January 22, 1954, the Commission suspended the limits, with provision for their reinstatement on 30 days' notice. The Commission also adopted the amendments recommended by the CEA to meet problems peculiar to the hedging use of the fats and oils futures markets and to inventory accounting and management in the fats and oils industry.

Soybean limits raised.--Effective November 16, 1953, the order of the Commodity Exchange Commission fixing limits on soybeans was amended. The amended order raised the speculative limit from 1 million bushels to 2 million bushels, the limit applicable to all other grains except rye.

AUDITS

During the year 726 audits of futures commission merchants were made. These audits covered the accounts of 33,231 customers who had to their credit \$125,657,897.74. The average number of accounts per audit was 45.8, a decrease of 6.4 from the last year. The average amount to the credit of each customer was \$3,780.35, a decrease of \$119.00 from last year. In addition to the 605 financial audits performed, 5 special or "position" audits were made during the year covering the books and records of large traders.

In the course of these 726 financial audits, 456 deviations from the law or regulations were discovered. In most cases corrective measures were taken when the deviations were brought to the attention of the brokerage houses. The remainder are under further investigation. In addition to the 456 separate deviations from the law or regulations, a number of persons were found to be acting as futures commission merchants without having been registered as required by the act. During the year 628 futures commission merchants' financial statements were analyzed,

COMPLIANCE INVESTIGATIONS

The accumulation and assembly of evidence in connection with a major grain manipulation case required a large part of the time of the investigational staff during the 1954 fiscal year. This work, together with the completion and continuation of several other administrative and criminal actions, necessitated the deferment of a number of investigations, some of which appear likely to result in formal proceedings. The manipulation case referred to was disposed of by respondent's waiver of hearing and consent to the denial of trading privileges, ordered on May 4, 1954. On the same date a consent decree was entered

in U. S. District Court enjoining the respondent from exercising certain trading privileges, directing that it henceforth treat all commodity transactions and positions of its subsidiaries and affiliates as its own, and permanently enjoining the respondent, its affiliates and subsidiaries from exceeding the speculative trading limits applicable to oats. A criminal case involving manipulation of eggs in 1949 was concluded in U. S. District Court in Chicago on May 21, 1954 by the assessment of fines aggregating \$32,000 as a result of pleas of nolo contendere by the defendants. Another criminal case, involving cheating and fraud, tried in U. S. District Court in Chicago resulted in the imposition of a 2-year prison sentence and a \$5,000 fine on June 7, 1954. This case is now pending on appeal to the U. S. Court of Appeals.

During the year four other administrative actions were disposed of, two by the imposition of administrative sanctions and two by dismissal. One of the dismissals was because of insufficiency of evidence and the other because of the death of the respondent.

As of the end of the year five administrative actions were in process. One of these involves a charge of major manipulation in the egg market and one relates to a complicated scheme for avoiding the speculative limits. Both will probably require considerable work before administrative hearings are completed.

Despite the necessity for devoting more time to formal cases probably than in any other year since the enactment of the Commodity Exchange Act there have been some 45 complaints and alleged violations investigated as compared to 48 the preceding year. As above mentioned, there are a number of matters apparently warranting investigation which are being carried in the nature of a backlog. It has again been necessary to defer substantially all work on trade practice surveys, the conduct of which in previous years has been found very useful in curtailing minor abusive practices in the execution of transactions.

Group activity.-There is evidence of a continuation of more or less concerted action by groups of traders who maintain contact by telephone and otherwise, advising each other of their trading plans. Investigation of this type of activity is difficult and time-consuming. The successful outcome of the criminal case involving eggs above mentioned will furnish a foundation for more effective work along this line inasmuch as the trader techniques in that case were of the group type.

Enforcement policy.-There has been, and apparently will continue to be, an increasing necessity for disposing of relatively minor cases by enlisting the cooperation of the commodity exchanges and by the use of stipulation of compliance and warning letters.

If the group-trading technique continues to become a more important threat to market stability, and if the number of general violations should continue on its present scale, a situation may be reached under which the present enforcement program will be insufficient to preserve the integrity of the markets and prevent unwarranted price movements caused by excessive and abusive speculation. It is hoped, however, that the disposition of the large cases above referred to may permit the utilization of the present investigational staff in a manner which will accomplish the purposes of the act. The CEA would be reluctant to increase the staff to a size capable of completely covering the potential work load of the past year because of the hope that this will prove to be a nonrecurring situation. If, however, this hope proves to be unfounded it may necessitate a reappraisal of the whole enforcement program.

MAJOR ACTIVITIES OF THE COMMODITY EXCHANGE AUTHORITY

	Actual		Estimated	
	1953	1954	1955	1956
I. Licensing:				
Futures commission merchants registered	658	623	630	640
Floor brokers registered	866	851	870	880
II. Supervision:				
Markets and commodities:				
Exchanges				
Commodities	18	17	17	17
Markets (6 wheat markets, 3 cotton markets, etc.)	19	19	20	20
Reports tabulated and analyzed:	42	41	42	42
Daily trading volume and open contracts				
Daily and weekly reports on large traders	267,461	248,436	270,000	270,000
Delivery notices	293,764	286,971	310,000	310,000
Special calls and surveys	43,524	29,170	36,000	36,000
Accounts covered	8	3	4	4
General activities, including observance of trading exchange relations, enforcement of speculative limits, price compilations, quotations service, and review of market letters	24,800	5,393	10,000	10,000
III. Audits:				
Segregation audits				
Accounts examined	x	x	x	x
Financial statements examined	605	726	700	750
IV. Investigations:				
Compliance investigations completed	31,573	33,231	32,500	35,000
Trade practice surveys completed	658	628	625	675
Number of transactions examined				
Criminal prosecutions	48	46	50	50
Administrative proceedings	0	2	1	1
Establishment and review of speculative limits:	0	3,370	2,500	2,500
Hearings completed (Number of commodities)	0	1	1	1
V. Administrative proceedings	4	4	4	4
Establishment and review of speculative limits:				
Hearings completed (Number of commodities)	3	3*	2*	2*

x = No measure of work load available * Review only

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 and 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: Estimated : Estimated		
	: Obligations:	obligations:	obligations
	: 1954	: 1955	: 1956
Obligations Under Reimbursements	:	:	:
From Governmental and Other	:	:	:
Sources:	:	:	:
Salaries and Expenses:	:	:	:
Services performed for	:	:	:
other agencies	: \$419	: - -	: - -

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and the role of the accounting department in ensuring the integrity of the financial data.

2. It then goes on to describe the various methods used to collect and analyze financial information, including the use of spreadsheets and specialized accounting software.

3. The document also highlights the need for regular audits and the importance of having a clear understanding of the company's financial position at all times.

4. Finally, it concludes by emphasizing the role of the accounting department in providing valuable insights into the company's performance and helping to make informed decisions about the future.

COMMODITY STABILIZATION SERVICE

Summary of Appropriations, 1955, and Estimates, 1956 a/

Item	: :Appropriated, : 1955	: : Budget : Estimate, : 1956	: Increase (+) : or : Decrease (-)
Agricultural adjustment programs	: \$41,250,000:	: \$39,000,000:	: -\$2,250,000
Sugar Act program	: b/ 59,600,000:	: 61,600,000:	: +2,000,000
Total direct annual appropriations or estimates	: 100,850,000:	: 100,600,000:	: -250,000

/ Excludes administrative expense authorization for Commodity Credit Corporation.

/ In addition, 195,778 available from prior year balances.

AGRICULTURAL ADJUSTMENT PROGRAMS

Purpose Statement

This appropriation provides funds to carry out acreage allotment and marketing quota programs authorized by Title III of the Agricultural Adjustment Act of 1938, as amended.

These programs are designed to assist in minimizing fluctuations in the supply, marketing, and price of specified basic agricultural commodities-- tobacco, peanuts, cotton, wheat, corn, and rice.

The national acreage allotment (in the case of wheat and corn, allotment for commercial producing area) is set at a level which, based upon normal or average yield, will result in ample production for domestic consumption, exports, and adequate reserves. The total acreage is divided among States or counties on the basis of production history for a specified number of years preceding the year for which the allotment is determined, with adjustments for production trends, abnormal weather and production conditions, previous allotments, and other factors.

State or county allotments are apportioned among eligible farms. Acreage allotments, unless implemented by marketing quotas, do not constitute an enforced limitation on production. However, when acreage allotments are in effect for any basic commodity, compliance therewith is a condition of eligibility for price support.

Marketing quotas must be proclaimed for tobacco when the total supply exceeds the reserve supply level or if quotas were proclaimed for the kind of tobacco in the immediately preceding year; for peanuts each calendar year regardless of the supply situation; for upland cotton when the total supply exceeds the normal supply, for extra long staple cotton when the total supply exceeds the normal supply by more than 8 percent, and for wheat, corn, and rice when the total supply exceeds the normal supply by a stated percentage. Marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, do not apply to corn.

Quotas do not become effective unless at least two-thirds of eligible farmers voting in a referendum approve quotas. Quotas may be increased or suspended under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

	Appropriated, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated funds	\$41,250,000	\$39,000,000



(a) Agricultural Adjustment Programs

Appropriation Act, 1955, and base for 1956	\$41,250,000
Budget Estimate, 1956	39,000,000
Decrease	-2,250,000

SUMMARY OF INCREASES AND DECREASES, 1956

Increase for work in connection with rice acreage allotments and marketing quotas and to provide adequate administration, supervision and audit of other acreage allotment and marketing quota programs	+\$668,000
Decrease in county committee operating costs due to reduction in work required in connection with the establishment of allotments, compilation of basic data and other related activities	-\$2,918,000

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
1. Acreage allotments and marketing quotas	\$41,257,449	\$41,250,000	-\$2,250,000 (1)	\$39,000,000
2. Assistance to Selective Service	149,742	-	-	-
Unobligated balance	2,221,612	-	-	-
Total available or estimate	43,628,803	41,250,000	-2,250,000	39,000,000
Transferred from "School lunch program, Agricultural Marketing Service" ..	-128,803	-	-	-
Total appropriation or estimate	43,500,000	41,250,000	-	-

INCREASES AND DECREASES

The 1956 estimate is based on the assumption that acreage allotments and marketing quotas will be in effect on the 1955 and 1956 crops of tobacco, peanuts, wheat, cotton and rice and that acreage allotments will be in effect on corn. Work in 1956 will consist of the following:

Tobacco: Completing measurement of the 1955 crop, measuring approximately 45 percent of the 1956 acreage, collecting and compiling basic data, establishing acreage allotments, and holding referendums on some kinds of tobacco to determine whether quotas will be in effect beginning with the 1956 marketing year, and administering quotas on the 1954 and 1955 crops. There will be approximately 609,000 allotments totalling 1,700,000 acres for each crop.

Peanuts: Completing measurement of the 1955 crop, measuring approximately 65 percent of the 1956 acreage, collecting and compiling basic data, establishing acreage allotments, and administering marketing quotas on the 1954 and 1955 crops. There will be approximately 127,000 allotments.

Wheat: Completing measurement of the 1955 crop, measuring approximately 95 percent of the 1956 crop, collecting and compiling basic data, establishing acreage allotments for the 1957 crop, holding a referendum to determine whether quotas will be in effect on the 1956 crop, and administering quotas on the 1955 and 1956 crops. There will be approximately 1,500,000 allotments.

Cotton: Completing measurement of the 1955 crop, measuring approximately 75 percent of the 1956 crop, collecting and compiling basic data, holding a referendum to determine whether quotas will be in effect on the 1956 crop, and administering marketing quotas on the 1955 and 1956 crops. There will be approximately 1,100,000 allotments.

Corn: Completing measurement of the 1955 crop, measuring approximately 35 percent of the 1956 crop and collecting and compiling basic data and establishing acreage allotments for the 1956 crop. There will be approximately 1,800,000 allotments.

Rice: Completing measurement of the 1955 crop, measuring approximately 90 percent of the 1956 crop, collecting and compiling basic data and establishing acreage allotments for the 1956 crop, holding a referendum to determine whether quotas will be in effect on the 1956 crop and administering marketing quotas on the 1955 crop. There will be approximately 24,000 allotments.

(1) The net decrease of \$2,250,000 is composed of the following:

(a) An increase of \$668,000 for national and State expense consisting of the following:

1. An increase of \$28,000 for work in connection with acreage allotments and marketing quotas on the 1955 and 1956 crops of rice. To perform the work outlined above in 9 States and at the National level will require additional supervisory, technical, audit, compliance checking and related clerical and stenographic assistance.
2. An increase of \$640,000 to provide adequate supervision and audit of acreage allotment and marketing quota programs for tobacco, peanuts, wheat, cotton and rice and of acreage allotment programs for corn. Agricultural Stabilization and Conservation county committees are responsible for the administration of these programs at local levels. Supervision and review of county committee operations by the ASC State offices is presently inadequate to insure acceptable work by the county committees. They need additional assistance and supervision in all phases of the programs. Specifically, additional work must be done on (a) informing and training county committees and their employees on the overall operations of the programs and assisting them in devising ways to get the work done in an effective and economical manner, (b) preparing new aerial photography for use in compliance checking, (c) instructing county committee personnel in the use of aerial photographs and in other methods used to check compliance, (d) spot checking county committee acreage determinations, and (e) auditing county committee records.

A prerequisite for price support for a crop subject to acreage allotments is compliance with the established allotment. This requirement increases the necessity for careful and accurate work by the county

committee in all phases of administration of the allotment programs. It also increases the need for the close and continuous supervision and the adequate training of county committee personnel, the auditing of county committee work and records and the checking of acreage determinations.

(b) A net decrease of \$2,918,000 in county committee expenses consists of the following:

1. A decrease of \$2,943,000 because of a decrease of work in connection with (a) the establishment of allotments in areas where a summer fallow rotation of wheat is a common practice (Section 314 of Agricultural Act of 1954); (b) the elimination of possibly 177 wheat growing counties from the program by the designation of a commercial wheat area (Section 309 of Agricultural Act of 1954); (c) less work required in connection with the compilation of basic data and other related activities in connection with the wheat, cotton and corn programs; and (d) anticipated savings due to increased efficiency in the operation of these programs.
2. An increase of \$25,000 for administration of an acreage allotment and marketing quota program for rice.

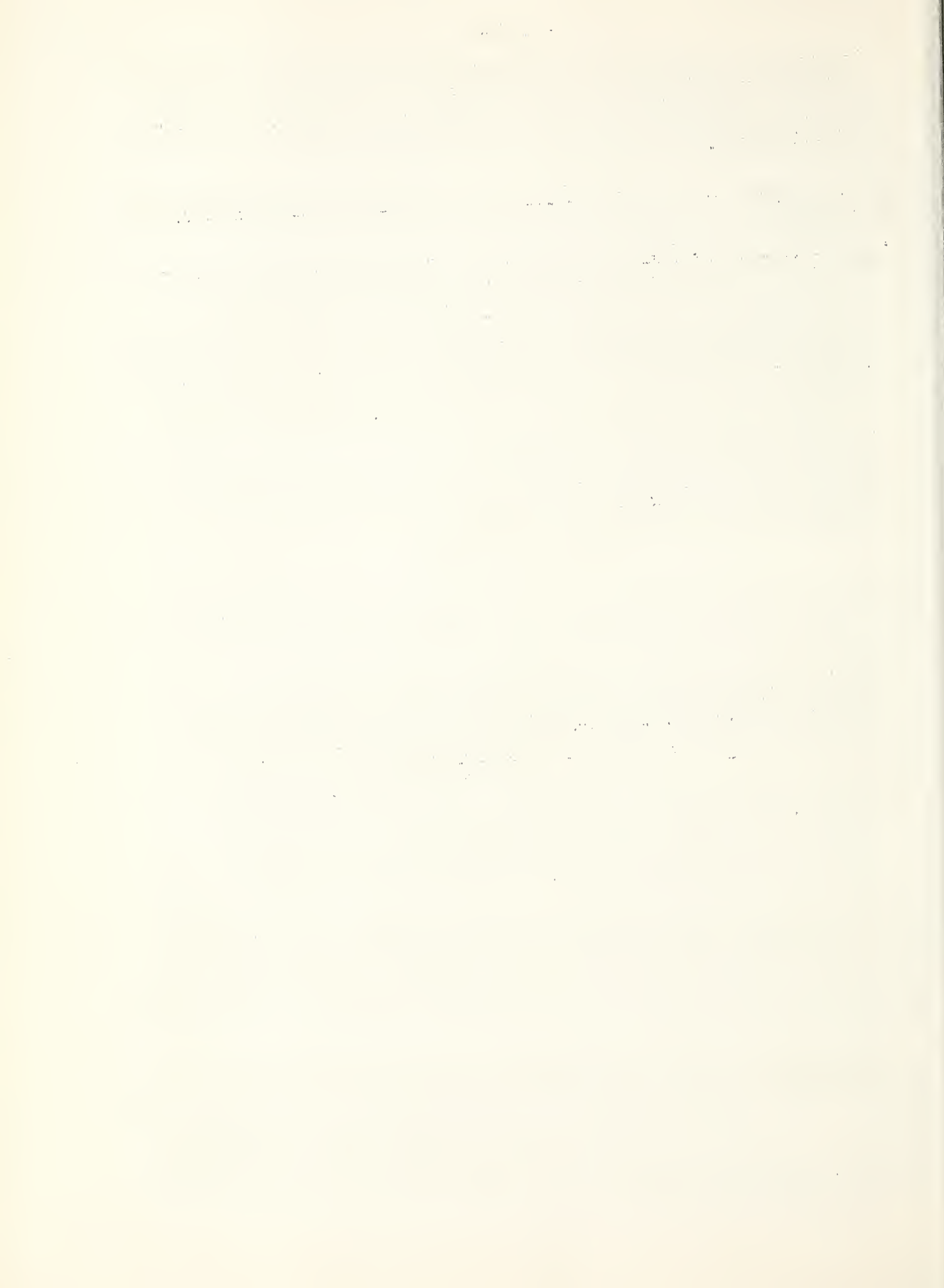
CHANGES IN LANGUAGE

The estimates include proposed changes in language of this item as follows (new language underscored; deleted matter enclosed in brackets):

- For necessary expenses to formulate and carry out acreage allotment and marketing quota programs pursuant to provisions of title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393), \$41,250,000 ~~\$39,000,000~~,
1 of which not more than \$5,500,000 ~~\$6,165,000~~ shall be transferred to the appropriation account "Administrative expenses,
2 section 392, Agricultural Adjustment Act of 1938" ∕: Provided, That \$3,500,000 of this appropriation shall be placed in reserve to be apportioned for use pursuant to section 3679 of the Revised Statutes, as amended, to the extent necessary for carrying out marketing quotas for the 1955 crop of wheat ∕.

The first change proposes to increase the amount which may be transferred into the appropriation account "Administrative expenses, section 392, Agricultural Adjustment Act of 1938" from \$5,500,000 to \$6,165,000 to provide funds for additional State Office supervision of program activities carried out by the county offices as discussed in more detail in the justification of this estimate.

The second change eliminates the proviso placing in reserve an amount to be apportioned for use to the extent necessary for carrying out marketing quotas for the 1955 crop of wheat. The current estimates of supply and utilization indicate that it will be necessary to proclaim acreage allotments and marketing quotas with respect to the 1956 crop. Since it will not be necessary to establish a reserve for the 1956 crop of wheat, it is proposed that this proviso be deleted.



STATUS OF PROGRAM

For the 1954 crops, acreage allotment and marketing quota programs were in effect for tobacco, peanuts, wheat, and cotton and acreage allotments were in effect on corn. On December 29, 1953, it was announced that there would be no marketing quotas or acreage allotments on the 1954 crop of rice. Acreage allotments and marketing quotas have been proclaimed for the 1955 crops of tobacco, peanuts, wheat, and cotton and acreage allotments have been proclaimed on the 1955 crop of corn for the commercial corn-producing area.

Tobacco Acreage Allotment and Marketing Quota Program (930 counties)

Quotas must be proclaimed whenever the total supply at the beginning of the marketing year exceeds the reserve supply level. Regardless of the supply situation, however, quotas must be proclaimed for each kind of tobacco for which quotas were proclaimed in the preceding year and for Virginia sun-cured tobacco for each marketing year for which a quota is proclaimed for fire-cured tobacco.

The marketing quota proclamation specifies in pounds of tobacco the quantity which may be marketed during the next following marketing year. It is an amount which will make available for marketing during that year, a supply equal to the reserve supply level. For the 1954 crop, quotas were proclaimed as follows:

<u>Kind of Tobacco</u>	<u>Date Proclaimed</u>	<u>Number of pounds</u>	<u>Number of acres</u>
Flue-cured	11/30/53	1,325,000,000	1,057,000
Burley	11/30/53	526,000,000	395,500
Fire-cured	11/30/53	65,934,000 /a	55,835
Dark air-cured	11/30/53	26,620,000 /a	23,280
Virginia sun-cured	11/30/53	6,257,000	6,130
Cigar filler and binder	10/3/53	74,600,000	48,450

/a Increased quotas announced March 4, 1954

For fire-cured tobacco, the increase restored the 10 percent reduction made under the quota announced in November and for dark air-cured tobacco, the increase restored slightly less than half of the original reduction of approximately 20 percent. The original fire-cured quota was 59.4 million pounds and the dark air-cured quota was 24.2 million pounds.

The increases in the marketing quotas were the result of efforts made by Department representatives sent to Europe to find ways of increasing exports of fire-cured and dark air-cured tobacco through regular commercial channels. Negotiations resulted in anticipated additional export of these tobaccos.

Quotas were proclaimed for Southern Maryland and Pennsylvania filler

tobaccos but farmers voting in referenda held October 29, 1953, disapproved quotas for these tobaccos.

Referendum. Within 30 days after the issuance of proclamation of quotas, a referendum must be held. Farmers have a choice of voting for quotas for one or three years, and quotas become effective only if approved by at least two-thirds of the farmers voting. Quotas have been approved as follows:

<u>Kind of tobacco</u>	<u>Marketing years covered</u>
Flue-cured	1953-55
Burley	1953-55
Fire-cured	1955-57
Dark air-cured	1955-57
Virginia sun-cured	1953-55
Cigar filler and binder	1954-56

Quotas on Southern Maryland and Pennsylvania filler tobaccos were turned down in referenda held December 17, 1954.

Number of allotment farms and acreage allotted, by
States - 1954 crop

<u>State and kind of tobacco</u>	<u>Number of allotment farms</u>	<u>Acreage allotted</u>
<u>Flue-cured</u>		
Alabama	254	631
Florida	7,249	22,305
Georgia	29,868	106,850
North Carolina	126,327	696,025
South Carolina	26,713	121,823
Virginia	24,027	105,612
Total	214,438	1,053,246
<u>Burley</u>		
Alabama	53	47
Arkansas	81	74
Georgia	220	122
Illinois	23	16
Indiana	10,112	10,085
Kansas	99	145
Kentucky	153,111	261,534
Missouri	1,768	4,306
North Carolina	18,580	12,329
Ohio	11,521	13,009
Oklahoma	1	5
Pennsylvania	3	4
South Carolina	18	6
Tennessee	94,858	80,340

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Texas	2	1
Virginia	17,530	13,686
West Virginia	<u>4,641</u>	<u>3,588</u>
Total	<u>312,621</u>	<u>399,297</u>

Virginia sun-cured

Virginia	4,324	6,115
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Cigar filler and binder

Connecticut	1,588	11,635
Illinois	3	9
Indiana	1	2
Iowa	1	10
Massachusetts	1,105	5,918
Minnesota	191	370
New Hampshire	5	7
New York	173	349
Ohio	1,940	6,716
Pennsylvania	256	486
Vermont	1	8
Wisconsin	8,072	21,930
Total	<u>13,336</u>	<u>47,440</u>

Fire-cured

Kentucky	10,047	21,613
Tennessee	9,055	23,453
Virginia	7,501	10,767
Total	<u>26,603</u>	<u>55,833</u>

Dark air-cured

Indiana	170	90
Kentucky	21,120	19,937
Missouri	2	1
Tennessee	<u>4,959</u>	<u>3,252</u>
Total	<u>26,251</u>	<u>23,280</u>

Peanut Acreage Allotment and Marketing Quota Program (508 counties)

Quotas must be proclaimed each year regardless of the supply situation. The national marketing quota must be equal to the average quantity of peanuts harvested for nuts during the 5 years immediately preceding the year in which the quota is proclaimed, adjusted for current trends and prospective demand conditions.

A national marketing quota of 740,600 tons and a national acreage allotment of 1,610,000 acres were announced on September 30, 1954. The 1955 acreage allotment is the same as for the 1954 crop, but the marketing quota is larger than the 1954 quota by about 67,000 tons because of the use of a higher normal yield figure.

Referendum. Farmers voting in a referendum held December 15, 1953, approved marketing quotas through the marketing year 1956.

Acreage allotments - The 1955 acreage apportionment to States, which is identical with that made last year for the 1954 crop is given below:

Number of Allotment Farms and Acreage Allotted - 1955 Crop

<u>State</u>	<u>Allotment Farms</u>	<u>Acreage Allotted</u>
Alabama	19,169	217,965
Arizona	25	717
Arkansas	457	4,220
California	25	940
Florida	5,544	54,777
Georgia	33,816	524,611
Louisiana	40	1,963
Mississippi	227	7,557
Missouri	2	246
New Mexico	468	4,906
North Carolina	18,607	168,813
Oklahoma	15,726	137,323
South Carolina	1,673	13,743
Tennessee	429	3,564
Texas	21,897	355,063
Virginia	8,958	105,542
Reserve for new farms ..		8,050
Total	127,063 /a	1,610,000

/a Does not include new farms.

Wheat Acreage Allotment and Marketing Quota Program (2,481 counties)

Quotas must be proclaimed whenever, in any calendar year, the total supply for the marketing year beginning in such calendar year exceeds normal supply by more than 20 percent or the total supply is not less than normal supply and the average farm price for three successive months does not exceed 66 percent of parity.

On June 21, 1954, marketing quotas were proclaimed for the 1955 crop of wheat based upon the following determination of normal supply for the 1954-55 marketing year and the marketing quota position as indicated by the supply percentage.

<u>Normal supply and marketing quota level</u>	<u>Million bushels (adjusted)</u>
1. Domestic consumption, 1953-54	704 /a
2. Exports, 1954-55	220
3. Total (item 1 + item 2)	924
4. Allowance for carryover (15% of item 3)	139
5. Normal supply (item 3 + item 4)	1,063
6. Marketing quota level (120% of item 5)	1,276

Total supply and supply percentage

7. Estimated carryover, July 1, 1954	900
8. Estimated production (June 10 crop report) ..	1,000
9. Estimated imports, 1954-55	3
10. Total supply (item 7 + item 8 + item 9)	1,903
11. Supply percentage (item 10 ÷ item 5)	179.0%

/a. Adjusted to provide a more normal amount of wheat for domestic use.

Determination of national acreage allotment Million bushels

1. Normal year's domestic consumption	703
2. Normal year's exports	287
3. Total (item 1 + item 2)	990
4. Normal year's domestic consumption and exports plus 30%	1,287
5. Indicated carryover, July 1, 1955	998
6. Estimated imports, 1955-56	3
7. Total (item 5 + item 6)	1,001
8. Production needed in 1955 (item 4 - item 7)	286
9. National average yield per planted acre	15.0 bushels
10. National acreage allotment for the 1955 crop (item 8 + item 9)	19,066,667 acres
11. Minimum acreage allotment	55,000,000 acres

If a farmer does not underseed his 1955 acreage allotment by more than 10 percent, the farm will be considered as having the full allotment planted in 1955 for the purpose of future allotment determination.

State acreage allotments were announced July 2, 1954. State and county acreage allotments are based upon wheat acreage for the past ten years with adjustments for abnormal weather conditions and for trends in acreage during such period.

Wheat acreage allotments by States for 1955 compared with 1954

State	Acreage allotted in 1954	1955 allotment
Alabama	17,486	13,208*
Arizona	22,613	18,612*
Arkansas	56,514	37,141
California	562,365	477,647
Colorado	2,899,062	2,674,556
Connecticut	909	743*
Delaware	50,514	42,895
Florida	816	547*
Georgia	124,071	101,528
Idaho	1,277,401	1,154,995
Illinois	1,541,191	1,355,667
Indiana	1,324,318	1,153,205
Iowa	209,814	138,040
Kansas	11,874,832	10,496,070
Kentucky	222,435	205,572
Louisiana	3,866	2,478*
Maine	1,733	1,533*
Maryland	238,768	203,953
Massachusetts	883	747*
Michigan	1,093,618	985,854
Minnesota	949,255	790,138
Mississippi	27,791	19,484*
Missouri	1,311,848	1,122,346
Montana	4,632,152	4,025,438
Nebraska	3,662,384	3,206,508
Nevada	15,953	13,481*
New Hampshire	108	89*
New Jersey	63,798	57,198
New Mexico	502,740	446,660
New York	343,950	318,849
North Carolina ...	320,387	285,227
North Dakota	8,254,412	7,349,025
Ohio	1,758,376	1,598,860
Oklahoma	5,245,769	4,775,103
Oregon	898,563	799,603
Pennsylvania	723,064	639,371
Rhode Island	714	648*
South Carolina ...	157,178	134,101
South Dakota	3,164,666	2,775,563
Tennessee	212,615	198,256
Texas	4,817,377	4,203,735
Utah	359,969	317,337
Vermont	428	342*
Virginia	318,700	276,262
Washington	2,264,914	2,029,400
West Virginia	56,462	42,936
Wisconsin	73,485	54,519
Wyoming	338,590	289,530

Reserve	1,143	165,000
Total	<u>62,000,000</u>	<u>55,000,000</u>

* Twelve States designated outside commercial wheat-producing area on September 15, 1954, pursuant to the provisions of Public Law 690, 83d Cong., approved Aug. 28, 1954.

The county acreage allotment is apportioned among the farms within the county, through the local committees, on the basis of past acreage of wheat, tillable acres, crop rotation practices, type of soil and topography. Not more than 3 percent of the State allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made.

In a referendum held July 23, 1954, 73.3 percent of the farmers voting favored marketing quotas on the 1955 crop of wheat and 26.7 percent were opposed to quotas.

The farm marketing quota is the actual production from the acreage planted to wheat on the farm less the farm marketing excess. The farm marketing excess is the normal yield times the excess acres but it may not exceed the difference between the actual production on the farm less normal production of the acreage allotment.

The rate of penalty for marketing excess wheat, during any year for which quotas are in effect, is 45 percent of the parity price. The penalty may be avoided by (1) storing farm marketing excess in accordance with regulations established by the Secretary or (2) delivering such excess to the Secretary for his disposal. The farm marketing excess is subject to penalty even though it is used on the farm.

A wheat marketing quota is not applicable to any farm on which the acreage planted to wheat does not exceed 15 acres.

With respect to the 1954 crop of wheat, Congress raised the minimum national wheat acreage allotment to 62 million acres (Public Law 117, 83d Congress, approved July 14, 1953).

Cotton Acreage Allotment and Marketing Quota Program (1,110 counties) - 1955 Crop

A national marketing quota must be proclaimed whenever, during any calendar year, it is determined that the total supply exceeds normal supply for Upland cotton and for extra long staple cotton, whenever the total supply exceeds normal supply by more than 8 percent.

Upland cotton. On October 14, 1954, a national marketing quota of 10 million bales and a national acreage allotment of 18,113,208 acres were announced. Marketing quotas were proclaimed based upon the following determination.

<u>Total supply, 1954-55 marketing year</u>	<u>Bales</u>
1. Carryover, August 1, 1954	9,000,000
2. Indicated production, 1954	12,400,000 /a
3. Estimated imports	50,000
4. Total (item 1 + item 2 + item 3)	<u>21,450,000 /b</u>

/a October crop estimate. /b Total supply figure includes the commodity set aside from normal marketing channels as directed under Title I of the Agricultural Act of 1954.

<u>Normal supply, 1954-55 marketing year</u>	
5. Domestic consumption, 1954	9,100,000
6. Estimated exports	4,500,000
7. Total (item 5 + item 6)	<u>13,600,000</u>
8. Allowance for carryover (30% of item 7)	4,100,000
9. Total (item 7 + item 8)	<u>17,700,000</u>
10. Supply percentage (item 4 + item 9)	121.2%

On November 3, 1954, State acreage allotments for the 1955 crop of cotton were announced, as follows:

Acreage Allotted, by State, 1955 Crop

<u>State</u>	<u>Acreage Allotment</u>
Alabama	1,101,804
Arizona	333,933
Arkansas	1,529,704
California	778,686
Florida	36,283
Georgia	950,818
Illinois	3,056
Kansas	35
Kentucky	8,374
Louisiana	648,442
Mississippi	1,750,852
Missouri	399,627
Nevada	2,324
New Mexico	182,194
North Carolina	515,714
Oklahoma	872,532
South Carolina	773,945
Tennessee	593,868
Texas	7,612,779
Virginia	18,238
Total	<u>18,113,208</u>

Extra long staple cotton. On October 14, 1954, a national marketing quota of 30,000 bales and a national acreage allotment of 46,154 acres were proclaimed for the 1955 crop. Because of prospective large supplies, the quota was the "minimum" prescribed by law.

The quotas and allotments will apply principally to American-Egyptian, Sea Island (in the continental U. S. and Puerto Rico) and Sea Island cotton. American-Egyptian cotton is grown in the irrigated sections of south-west Texas, New Mexico, Arizona, and California.

<u>Total supply, 1954-55 marketing year</u>		<u>Bales</u>
1. Carryover, August 1, 1954		152,907
2. Indicated production, 1954 crop		27,000 /a
3. Estimated imports		100,000
4. Total (item 1 + item 2 + item 3)		<u>279,907</u>
 <u>Normal supply, 1954-1955 marketing year</u>		
5. Domestic consumption, 1954		100,000
6. Exports		0
7. Total (item 5 + item 6)		<u>100,000</u>
8. Allowance for carryover (30% of item 7)		30,000
9. Total (item 7 + item 8)		<u>130,000</u>
10. Supply percentage		215.3%

/a October crop estimate

<u>Acreages Allotted, by State, 1955 Crop</u>		
<u>State</u>	<u>Acreage allotted</u>	<u>Number of designated counties</u>
Arizona	18,472	7
California	296	2
Florida	612	14
Georgia	157	4
New Mexico	8,529	5
Texas	15,964	9
Puerto Rico	2,124	Entire area
Total	<u>46,154</u>	

In referenda held December 14, 1954, 92.0 percent of the farmers voting favored quotas for the 1955 crop of Upland cotton and 92.7 percent favored quotas for the 1955 crop of extra long staple cotton.

Upland and extra long staple cotton. The farm marketing quota is the actual production from acreage planted to cotton on the farm less the farm marketing excess. The farm marketing excess is the normal yield times excess acres, but it may not exceed the difference between the actual production on the farm less the normal production of the acreage allotment.

For upland cotton, the farm marketing excess is subject to a penalty at a rate equal to 50 percent of parity price as of June 15 of the calendar year in which the crop is produced and for extra long staple cotton the penalty rate is the higher of 50 percent of parity price or 50 percent of support price.

Corn Acreage Allotment Program (1955 commercial corn-producing area - 805 counties)

On November 5, 1954, the Department announced that acreage allotments would be in effect for the 1955 crop and also designated a commercial corn-producing area of 805 counties in 21 States. Marketing quota provisions relating to corn were repealed by P. L. 690, 83d Cong.

Rice Acreage Allotment and Marketing Quota Program (147 counties)

On December 30, 1954, a national rice acreage allotment of 1,859,099 acres and marketing quotas for the 1955 rice crop based on this acreage were proclaimed. A referendum will be held January 28 to determine whether producers favor quotas for the 1955 marketing year.

The 1955 national acreage allotment is 24.7 percent less than estimated 1954 rice plantings of 2,467,000 acres but only about 11 percent below the 5-year average of U. S. rice plantings.

The 1955 national acreage allotment, if yields are normal, should produce a crop of 44,135,000 hundredweight for the 1955-56 marketing year. This quantity, with the carryover of 14,000,000 hundredweight would equal the normal supply which has been determined at 58,135,000 hundredweight.

In determining the need for rice quotas on the 1955 crop, the total supply of rice for the 1954-55 marketing year was estimated at 66,857,000 hundredweight, 17.6 percent above the normal supply figure and 7.6 percent above the marketing quota level. This supply resulted from a record 1954 crop of 58,950,000 hundredweight and a 1953 crop carryover of 7,557,000 hundredweight, plus imports of 350,000 hundredweight. With domestic consumption for the marketing year estimated at 26,857,000 hundredweight and exports of 26,000,000 hundredweight, a record carryover of 14,000,000 hundredweight would be left to go into the 1955-56 marketing year beginning August 1, 1955.

Rice acreage allotments have not been in effect since 1950 and quotas have been proclaimed only once before (1939 crop). Producers disapproved quotas in the referendum.

The national acreage allotment will be apportioned among the States of Arkansas, Arizona, California, Florida, Illinois, Louisiana, Missouri, Mississippi, South Carolina, Tennessee, and Texas.

Determination of Normal Supply, Marketing Quota Level, Total Supply, and Supply Percentage

Normal supply and marketing quota level Thousand Cwts.

1. Estimated domestic consumption, 1953-54	25,620
2. Estimated exports, 1954-55	26,000
3. Sum of items 1 and 2	51,620
4. Allowance for carryover (10% of item 3)	5,162
5. Normal supply (item 3 plus item 4)	56,782
6. Marketing quota level (110% of item 5)	62,460

Total supply and supply percentage

7. Carryover on August 1, 1954	7,557
8. Estimated production in 1954	58,950
9. Estimated imports, 1954-55	350
10. Total supply (sum of items 7, 8, and 9)	66,857
11. Supply percentage (item 10 ÷ item 5)	117.6%

Determination of Normal Supply and National Acreage Allotment

Normal supply /1

1. Estimated domestic consumption, 1954-55	26,850
2. Estimated exports, 1955-56	26,000
3. Sum of items 1 and 2	52,850
4. Allowance for carryover (10% of item 3)	5,285
5. Normal supply (item 3 plus item 4)	58,135

National acreage allotment

6. Estimated carryover on August 1, 1955	14,000
7. Indicated production needed in 1955 (item 5 - item 6)	44,135
8. National average yield per planted acre, 1950-54	2,374 lb.
9. Indicated acreage allotment for 1955 (item 7 ÷ item 8)	1,859,099 acres
10. Estimated acreage planted in 1954	2,467,000 acres
11. Indicated percentage reduction from 1954 plantings 100.0 - (item 9 ÷ item 10)	24.7%

/1 Normal supply is for the marketing year commencing in the calendar year for which the national acreage allotment is determined.

Assistance to Selective Service

State and county ASC committees provided Selective Service Boards with background facts and figures on production and with information on labor needs to meet production schedules. Close working relationships between State and county ASC committees and State and local Selective Service Boards proved of valuable assistance in the classification of key agricultural workers.

Food Materials and Requirements

The continuing activities of the Department in the area of preparedness measures relating to food and the domestic distribution of farm equipment and supplies are being financed from this appropriation.

SUGAR PROGRAM

Purpose Statement

The principal objectives of the sugar program, carried out under the Sugar Act of 1948, as amended, are to protect the welfare of domestic producers, to provide consumers with adequate supplies of sugar at reasonable prices and to promote our general export trade. Provisions are also made to insure that a fair share of the consumers' dollars goes to domestic producers of sugar cane and sugar beets and to laborers working in cane and beet fields. The attainment of these objectives involves the determination of United States sugar requirements, the administration of quotas to regulate imports of sugar produced in foreign areas and marketing of sugar produced in domestic areas, and the making of payments to domestic producers of sugar beets and sugar cane.

The Continental United States produces sugar from both sugar beets and sugar cane. Additional quantities of sugar are produced from sugar cane in Hawaii, Puerto Rico, and the Virgin Islands. The domestic sugar output, produced at higher cost per unit than in foreign areas, falls far short of meeting the nation's requirements. To meet total needs, the United States must import substantial quantities of sugar from foreign areas, mainly from Cuba and the Philippines.

If unlimited quantities of sugar were permitted entry into the continental United States from Cuba, the Philippines, and other foreign countries, prices to domestic consumers under ordinary circumstances could be expected to be slightly lower. However, under the present wage standards in domestic producing areas, unlimited imports (unless accompanied by a substantially higher tariff) would place domestic producers in an extremely difficult, if not impossible, competitive position, or would force drastic wage reductions in domestic areas. Moreover, the economy of most of the domestic cane sugar-producing areas is dependent on sugar-producing crops for which there is no feasible alternative.

Quotas - The Sugar Act of 1948, as amended, provides the quota system to balance supply with demand. Under quotas, the Secretary of Agriculture, as authorized by the Act, determines at the end of each calendar year the sugar requirements for the coming year. The requirements for the calendar year 1954 were initially established in December, 1953 at 8,000,000 short tons, raw value. On March 19, 1954, the quota level was raised to 8,200,000 tons.

The quota provisions of Public Law 140, 82nd Congress, approved September 1, 1951, became effective January 1, 1953. Basic calendar year quotas, under this legislation, for the five domestic producing areas - domestic beet, mainland cane, Hawaii, Puerto Rico and the Virgin Islands - total 4,444,000 tons, raw value, and for the Philippines, 974,000 tons, raw value. Quotas for other foreign countries, equal to the balance of requirements, are apportioned on the basis of 96 percent to Cuba and 4 percent to all other foreign countries.

Production Adjustment - The Act provides that if production in any area will be greater than the quantity necessary to fill the quota and provide a normal carry-over inventory, restrictive proportionate shares (Farm Marketing Allotments), shall be established. A restrictive program is designed to balance supplies within an area with the quota and normal carry-over requirements. The quota for the area is divided among individual growers, and as one of the conditions for payment, production must not exceed the proportionate share.

Payments - Domestic producers of sugar beets receive conditional payments averaging about \$2.50 per ton of beets. For producers of sugar cane the payments within the various domestic producing areas range from about 80 cents to \$1.62 per ton of cane. The Sugar Act imposes a special tax of 50 cents per hundredweight of sugar, raw value, on all manufactured sugar from sugar beets or sugar cane either produced in or brought into the continental United States.

Revenue - From the inception of the program in the 1938 fiscal year through the fiscal year 1954, \$1,216,248,861 of sugar excise and import taxes have been collected while expenditures under the program have amounted to \$926,610,760.

	Appropriated, 1955	Budget Estimate, 1956
Appropriated funds	\$59,600,000	\$61,600,000

(b) Sugar Act Program

Appropriation Act, 1955, and base for 1956	\$59,600,000
Budget Estimate, 1956	61,600,000
Increase	<u>+2,000,000</u>

SUMMARY OF INCREASES, 1956

Increase in mandatory payments to sugar producers for the 1955 crop	+1,823,000
Increase in operating expenses	+177,000

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increases or Decreases	1956 (estimated)
1. Payments to sugar producers:				
(a) Continental beet area	\$29,265,206	\$31,910,300	-\$1,678,300	\$30,232,000
(b) Continental cane area	8,628,000	7,705,210	-636,210	7,069,000
(c) Offshore cane area	20,439,336	18,544,490	+4,137,510	22,682,000
Total payments	58,332,542	58,160,000	+1,823,000	59,983,000
2. Operating expenses	1,312,458	1,440,000	+177,000	1,617,000
Total appropriation or estimate	59,645,000	59,600,000	+2,000,000(1)	61,600,000

a/ In addition, \$36,713 available from prior-year balance.

b/ In addition, \$59,065 available from prior-year balance.

INCREASES OR DECREASES

(1) The increase of \$2,000,000 in this item is comprised of the following:

(a) An increase of \$1,823,000 for conditional payments to sugar producers. The 1956 estimates would provide \$59,983,000 for payments to producers as compared with \$58,160,000 provided for that purpose in the 1955 appropriation. The production of sugar from the 1954 crop is expected to reach 4,744,000 tons, raw value. Based on the average rates of payment during recent years in the various domestic areas, conditional payments for the 1954 crop will require \$66,331,430. This will be financed by using \$200,000 from the 1954 appropriation, \$58,132,809 from the 1955 appropriation, and \$7,998,621 from the 1956 appropriation (See table "Source of Financing" which follows.)

The production of sugar from the 1955 crop (fiscal year 1956) is presently estimated at 4,599,000 short tons, raw value. If the average rates of payment during recent years in the various domestic areas are applied to this estimated production, 1955 crop payments to producers would be \$64,015,226. Taking into consideration the deferral of \$7,998,621 on the 1954-55 Puerto Rico crop for payment from the 1956 appropriation, the Budget Estimate contemplates that \$12,030,847 of the Puerto Rico payments on the 1955-56 crop will be deferred until funds therefor are provided in an appropriation

for the fiscal year 1957. Deferral of Puerto Rico payments does not create a problem since payments on the 1955-56 crop would not customarily be made before the beginning of the succeeding fiscal year.

The following tables indicate tonnage of production by areas, the source of financing and the number of payees under the 1953, 1954 and 1955 programs:

Production
(short tons, raw value)

Area	1953	1954	1955	Increase
	Crop	Crop	Crop	, Decrease or 1955 compared with 1954
		(estimated)	(estimated)	
Continental sugar beet area...	1,876,000	1,900,000	1,800,000	-100,000
Continental sugar cane area...	625,000	545,000	500,000	-45,000
Hawaii	1,099,000	1,097,000	1,097,000	- -
Puerto Rico	1,190,000	1,190,000	1,190,000	- -
Virgin Islands	12,000	12,000	12,000	- -
Total	4,802,000	4,744,000	4,599,000	-145,000

Program Year	Fiscal Year Appropriation				Total	Number of Payees
	1953	1954	1955	1956	1957	
Appropriation	Appropriation	Appropriation	Appropriation	Estimate		
1953 Sugar Program						
Payments to producers:						
Continental sugar beet area	1,054,794	29,265,206			30,320,000	40,000
Continental sugar cane area		8,628,000			8,628,000	7,565
Hawaii	6,678,996	3,476,604			10,155,600	1,200
Puerto Rico (1953-1954)	43,717	16,591,832	27,191		16,662,740	20,400
Virgin Islands		170,900			170,900	510
Total 1953 sugar payments	7,777,507	58,132,542	27,191		65,937,240	69,675
1954 Sugar Program						
Payments to producers:						
Continental sugar beet area			31,910,300		31,910,300	45,000
Continental sugar cane area			7,705,210		7,705,210	7,600
Hawaii		200,000	9,904,500		10,104,500	1,300
Puerto Rico			8,456,699	7,998,621	16,455,320	21,000
Virgin Islands			156,100		156,100	510
Total 1954 sugar payments		200,000	58,132,809	7,998,621	66,331,430	75,410
1955 Sugar Program						
Payments to producers:						
Continental sugar beet area				30,232,000	30,232,000	45,000
Continental sugar cane area				7,069,000	7,069,000	7,600
Hawaii				10,104,000	10,104,000	1,500
Puerto Rico				4,423,379 ^{a/}	12,030,847	16,454,226
Virgin Islands				156,000	156,000	510
Total 1955 sugar payments				51,984,379	12,030,847	64,015,226
Total program payments		58,332,542	58,160,000	59,983,000		
Operating expenses		1,312,458	1,440,000	1,617,000		
Total appropriation or estimate		59,645,000	59,600,000	61,600,000		

^{a/} The deferral is based on the recognized difficulty of predicting accurately the size of the crop so far into the future and is indicated as being applicable to Puerto Rico because the harvest there of the 1955-1956 crop will not be completed until July 1956.

(b) An increase of \$157,000 in operating expenses for compliance checking. An increase in operating expenses for compliance checking (acreage measurement) on the 1955 crop restrictive proportionate share program in the domestic beet sugar area. A substantial increase in workload at the State and county levels will be involved as a result of this program consisting of:

- (1) Obtaining accurate and complete acreage reports
- (2) Supervising instruction in performance procedures, methods of measurement and computing acreages
- (3) Making adequate inspections and spot checks of the work done
- (4) Training and qualifying reporters and office personnel in performance procedures, methods of measurement and use of aerial photographs
- (5) Assigning farms to reporters for inspection and measurement
- (6) Reviewing and spot checking the work of each reporter within one week after beginning work
- (7) Determining the planted acreage for sugar beet farms
- (8) Certifying as to the disposition of the excess acreage
- (9) Making and forwarding progress reports and other related work.

Most of the \$157,000 increase is applicable to the county level for checking compliance on 38,000 farms in the sugar beet areas at an estimated cost of \$3.48 per farm.

(c) An increase of \$20,000 for work on International Sugar Agreement. An increase in operating expenses for additional workload placed upon this Department in carrying out its responsibilities under the International Sugar Agreement approved by the President April 29, 1954. The work will include the development of the United States Government's policy and procedural recommendations to the International Sugar Council with respect to the administration of the Agreement. Necessary to such development of the U. S. position is the analysis of the statistical situation with respect to world sugar as obtained from the Secretariat of the Council. The Department is also responsible for the development of numerous reports to the Secretariat of the Council. Involved are reports regarding the maximum quantities of sugar which may be imported from non-participating countries under Article 7 of the Agreement; estimates of imports from non-participating countries; exports of sugar from the United States by countries of destination; imports of sugar into United States by countries of origin; and elaborate data with respect to production, distribution and stocks of sugar in the domestic sugar producing areas.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

- For necessary expenses to carry into effect the provisions of the Sugar Act of 1948 (7 U.S.C. 1101-1160), [~~\$59,600,000~~] \$61,600,000, to remain available until June 30 of the next succeeding fiscal year: Provided, That expenditures (including transfers) from this appropriation for other than payments to sugar producers shall not
- 1 exceed [~~\$1,440,000~~, of which \$77,000 shall be placed in reserve to be apportioned pursuant to section 3679 of the Revised Statutes, as amended, for use as may become necessary for applying restrictive
 - 2 proportionate shares on the 1955 beet crop] \$1,617,000.

The first change eliminates the language providing for \$77,000 to be placed in reserve for use as may be necessary for applying restrictive proportionate shares on the 1955 beet crop. With proportionate shares being imposed on the 1955 crop, it is certain that restrictions will be continued for the 1956 crop. Therefore, there is no need to establish a reserve in the 1956 appropriation for funds needed to carry out the remaining work on 1955 crop beets and the establishment of proportionate shares for the 1956 crop.

The second proposed change in language increases the amount of administrative expense limitation from ~~\$1,440,000~~ to \$1,617,000. The increase is to cover expenses incurred in connection with compliance checking (acreage measurement) on the 1955 crop proportionate shares on sugar beets mostly at the State and county office level; and the work necessary to carry out the responsibility of the U. S. Department of Agriculture under the International Sugar Agreement at the Washington level. This increase is explained in more detail in the justification of the estimate.

STATUS OF PROGRAM

Sugar Requirements and Quotas

The Sugar Act provides that the Secretary of Agriculture shall determine in December of each year the consumer requirements for the succeeding year and make such revisions of the initial estimate as necessary.

Quotas are based upon the estimated consumption requirements. The quotas for the calendar year 1953 were increased from 7,900,000 to 8,000,000 short tons, raw value on July 28, 1953 and to 8,100,000 tons on October 17, 1953 to provide quantities needed to meet U. S. requirements. The quotas for calendar year 1954 were initially established at 8,000,000 short tons, raw value, 400,000 tons below the anticipated level of consumption in order to stabilize prices at the level contemplated by the Sugar Act. On March 19, 1954 the quota level was raised to 8,200,000 tons, and then to 8,250,000 tons effective December 3, 1954.

Sugar quotas for the calendar years 1953 and 1954 are shown in the following table:

(short tons, raw value)			
Production Area	1953 Quotas		1954 Quotas
	Final		as of
	Basic	Adjusted	December 3, 1954
Domestic beet sugar	1,800,000	1,620,000	1,800,000
Mainland cane sugar	500,000	517,291	500,000
Hawaii	1,052,000	1,088,382	1,052,000
Puerto Rico	1,080,000	1,117,351	1,080,000
Virgin Islands	12,000	12,415	12,000
Philippines	974,000	874,000	974,000
Cuba	2,574,720	2,759,281	2,718,720
Other foreign countries	107,280	111,280	113,280
Total	8,100,000	8,100,000	8,250,000

Marketing Allotments:

Sec. 205 (a) of the Act requires that the quota for any area shall be allotted to persons who market or import sugar when necessary to insure orderly marketing and to afford interested persons an equitable opportunity to market sugar within the quota limitations.

In the domestic beet and mainland cane sugar areas and Puerto Rico the level of available supplies on January 1, 1954, together with 1954 crop prospects, were such that the Secretary found that allotment of the 1954 quotas for those areas would be necessary to prevent disorderly marketing and to assure all persons who market sugar an equitable opportunity to do so.

By June 30, 1954, allotment orders regulating the marketings within the quotas for the mainland cane area and Puerto Rico were in effect. In addition, following a public hearing, an "Administrator's Recommended Decision" for allotting the 1954 quota for the domestic beet sugar area had been issued. However, some interested persons filed written exceptions to the Recommended Decision and the hearing was reopened by the Judicial Officer of the Department to receive additional evidence and arguments after consideration of which he will issue an allotment order.

Payments to Producers

Payments are made to domestic producers of sugar cane and sugar beets conditioned upon their compliance with certain requirements with respect to child labor, wage rates, marketing allotments, and in the case of processor-producers, the payment of fair and reasonable prices for sugar beets or sugar cane purchased from other producers.

Pursuant to Title III of the Sugar Act of 1948, conditional payments totaling \$65,927,240 were made to about 69,675 sugar beet and sugar cane producers in 23 States and in Hawaii, Puerto Rico, and the Virgin Islands with respect to the production for the 1953 crop year.

Payments Under the Sugar Act of 1948 and Number of Payees, in the
Domestic Sugar Producing Areas, Crop Years 1952 and 1953 1/

Payment and Payee	Domestic : Mainland :	Hawaii :	Puerto Rico :	Virgin Islands :	Total
	Beet sugar:Cane sugar:				
	Area : Area :		2/		
	Dollars : Dollars :	Dollars :	Dollars :	Dollars :	Dollars :
Payments on sugar beets or sugar cane:					
1952	24,104,389:	7,968,207:	9,398,138:	16,478,951:	145,089: 58,094,774
1953	29,783,000:	8,622,100:	10,155,600:	16,162,740:	170,900: 64,894,340
Abandonment and deficiency payments:					
1952	631,000:	8,400:	---	487,000:	-- : 1,126,400
1953	527,000:	5,900:	---	500,000:	-- : 1,032,900
Total Payments:					
1952	24,735,389:	7,976,607:	9,398,138:	16,965,951:	145,089: 59,221,174
1953	30,310,000:	8,628,000:	10,155,600:	16,662,740:	170,900: 65,927,240
Payees:	Number :	Number :	Number :	Number :	Number :
1952	36,400:	8,262:	1,042:	20,400:	511: 66,615
1953	40,000:	7,565:	1,200:	20,400:	510: 69,675

1/ Preliminary. 2/ 1952-1953 and 1953-1954 crops

Excise and Import Taxes

The Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States. The following table shows the taxes collected compared with obligations under the sugar program:

Sugar Tax Collections Compared with Obligations Under the Sugar Program

Fiscal Year	Sugar Tax Collections			Total Obligations
	Excise Tax	Import Tax	Total	
1938	\$30,569,130	\$2,812,488	\$33,381,618	\$22,080,599
1939	65,414,058	3,494,636	68,908,694	52,460,654
1940	68,145,358	5,461,115	73,606,473	47,212,400
1941	74,834,839	4,876,470	79,711,309	47,677,678
1942	68,229,803	3,778,003	72,007,806	47,869,513
1943	53,551,777	3,383,987	56,935,764	55,638,374
1944	68,788,910	3,906,567	72,695,477	54,818,026
1945	73,293,966	3,262,197	76,556,163	52,361,159
1946	56,731,986	3,059,490	59,791,476	48,418,425
1947	59,151,922	4,755,224	63,907,146	53,343,569
1948	71,246,834	3,275,892	74,522,726	54,796,514
1949	76,174,356	4,139,161	80,313,517	71,880,810
1950	71,188,029	3,899,072	75,087,101	59,935,494
1951	80,191,884	3,468,405	83,660,289	63,684,105
1952	78,473,191	3,603,936	82,077,127	69,813,289
1953	78,161,259	4,866,916	83,028,175	64,975,151
1954	73,885,000	6,312,761	80,197,761	59,645,000
1955 (est.)	75,500,000	6,500,000	82,000,000	59,600,000
1956 (est.)	75,500,000	6,500,000	82,000,000	61,600,000
Total	1,299,032,302	81,356,320	1,380,388,622	1,047,810,760

Fair Wage and Price Determinations:

Among conditions which producers of sugarcane and sugar beets must meet to be eligible for Sugar Act payments is the payment of fair and reasonable wage rates to persons employed on the farm in the production, cultivation and harvesting of sugarcane or sugar beets and for producers who are also processors of sugarcane or sugar beets, the payment of fair and reasonable prices for sugarcane and sugar beets purchased from other producers. The Sugar Act requires that determinations of fair and reasonable prices shall be made by the Secretary after holding public hearings and after making appropriate investigations. Determinations of

wages and prices are issued annually for each of the domestic areas, i.e., sugar beet, mainland cane (Louisiana and Florida), Puerto Rico, Hawaii, and the Virgin Islands.

Under the determinations issued during the 1954 fiscal year, wage rates were increased 5 cents per hour in Florida and 5 percent in Louisiana and Puerto Rico. The rates for other areas remained unchanged. Specifications as to compensable working time were incorporated in determinations for all areas except Hawaii and the sugar beet area. In Louisiana and Florida the furnishing of working tools to workers by producers was incorporated as a requirement. The Hawaiian wage determination heretofore issued annually is to remain in effect until amended, superseded or terminated. In fair price determinations for areas other than Hawaii minor changes were made in the determinations, none of which materially affected the basic sharing relationship between producers and processors. In Hawaii the pricing factors previously specified were omitted and the prices contained in agreements entered into by processors and producers were approved. The change did not result in any significant adjustment in the sharing of returns.

Proportionate Share Determinations:

Restrictive proportionate shares (acreage allotments) must be established for farms in any domestic area when prospective sugar production and current supplies will be more than the quantity required to meet the area's quota and normal carryover requirements.

In the mainland cane area and Puerto Rico production prospects and current supplies were such that crop restrictions were necessary. Restrictions were, therefore, applied in Louisiana to the 1954 crop and in Puerto Rico to the 1953-54 crop. In the domestic beet, Hawaiian and Virgin Islands areas restrictive proportionate shares were unnecessary and accordingly unlimited marketings of sugar beets or sugarcane from the 1954 crops were permitted in these areas. However, due to prospective sugar production and carryover inventories from the current beet crop it may be necessary to apply restrictions on 1955 beet crop plantings. At the close of the fiscal year meetings were under way between Department and beet sugar industry representatives to discuss means by which excessive production can be avoided for the 1955 crop.

Special Studies and Surveys:

A study of costs, returns, profits, and related data for growing sugarcane in Hawaii by producer-processors during the years 1949-1952 and by independent producers during 1952 was completed and an administrative report prepared. A study of costs, returns, profits, and related data for producing sugar beets during 1951 and for processing sugar beets for the years 1948-1951 was nearing completion at the end of the fiscal year. In addition, labor

performance studies in the thinning and harvesting of sugar beets were made during the fiscal year and informal surveys were conducted in all of the five domestic producing areas prior to the holding of public hearings in those areas. Reports of all these studies are utilized in developing fair wage and price determinations.

International Sugar Agreement:

The broad purpose of the International Sugar Agreement is to achieve and maintain a balance between supply and demand in the world sugar market at prices reasonable both to producers and consumers. It has been modeled in considerable part upon the United States Sugar Act and is a multi-lateral export quota type agreement. While the United States has no import (or export) quota under the agreement, it is expected that other participating governments will look to this country for guidance and constructive leadership in developing policies and procedures of administering the agreement, the basic features of which are similar, on an international basis, to those applied domestically by the Sugar Act.

Collaborating with the State Department and other federal agencies, this Department completed negotiations with respect to the Agreement. The Agreement was ratified by the Senate on April 28, 1954, and approved by the President on April 29, 1954.

Program Administration:

The Sugar Program is administered in the counties by elected county and community committeemen and in the States by State Agricultural Stabilization and Conservation Committees composed of resident farmers and appointed by the Secretary.

Administrative expense allocations to States are based on workload indicators for the previous year adjusted to reflect any contemplated changes in program operations.

The following tables set forth the workload data in connection with the 1954 crop (fiscal year 1955):

Sugar Act Program (Beet)
Workload Data for the 1954 Crop

State	Number of Counties	Number of Farms	Estimated planted acreage
Illinois	4	150	2,060
Indiana	4	20	25
Iowa	4	15	1,460
Kentucky	-	-	-
Michigan	24	3,565	77,415
Ohio	19	1,250	18,195
Wisconsin	24	925	14,850
Midwest Area ..	79	5,925	114,005
California	31	1,800	203,285
Colorado	25	4,710	151,240
Kansas	8	95	6,750
New Mexico	1	10	655
Oklahoma	-	-	-
Texas	4	25	1,345
Utah	13	2,315	35,875
Southwest Area :	82	8,955	399,150
Idaho	24	3,765	93,440
Minnesota	22	920	74,720
Montana	20	1,240	55,845
Nebraska	23	1,870	67,725
North Dakota	8	525	38,715
Oregon	3	515	18,600
South Dakota	4	160	6,420
Washington	7	895	35,675
Wyoming	11	1,000	39,705
Total	122	10,890	430,845
Total States ...	283	25,770	944,000

Sugar Act Program (Cane)
Workload Data for the 1954 Crop

State or Area	: Number of Counties	: Number of mill areas	: Plantation Mill Districts	: Number of Farms	: Estimated planted acreage	: Harvested Acres
					*	
Florida	4	-	-	25	40,000	-
Louisiana	21	-	-	4,050	275,000	-
Puerto Rico ...	-	33	-	20,000	-	385,000
Hawaii	-	-	28	1,000	-	108,300
Virgin Islands :	-	1	-	475	-	4,880
Total	25	34	28	25,550	315,000	498,180

* Not available for Puerto Rico, Hawaii and the Virgin Islands.

NATIONAL WOOL ACT

Purpose Statement

The principal objectives of the National Wool Act of 1954 (Public Law 690, approved August 28, 1954) are to provide for the national security and promote the general economic welfare by encouraging the domestic production of approximately three hundred million pounds of shorn wool, grease basis, at prices fair to both producers and consumers, in a manner which will have the least adverse effects upon foreign trade.

Method and Support Level - To aid in carrying out these objectives, the Act authorizes an incentive payment program which provides a support level for shorn wool not in excess of 110 percent of parity. The support level for mohair may vary as much as 15 percent above or below the comparable percent-of-parity shorn wool incentive level.

For wool and mohair shorn on or after January 1, 1955 and marketed on or after April 1, 1955, but not later than March 31, 1956, the announced support price for shorn wool is 62 cents per pound, grease basis, and 70 cents per pound for mohair. These incentive prices represent 106 percent and 91 percent of the September 15, 1954 parity prices for wool and mohair, respectively. The level of support for pulled wool will be so related to the shorn wool incentive price as to maintain normal marketing practices.

If average prices received by producers for wool and mohair fall below the incentive price levels announced, payments will be made to producers. These payments will be based on the percentage needed, in the case of each commodity, to bring the national average price received by producers up to the incentive price.

Referendum - The Secretary of Agriculture may conduct a referendum among wool and mohair producers to determine their approval or disapproval of developing and maintaining on a National, State or regional basis advertising and sales promotion programs for wool, mohair, sheep or goats, or the products thereof. A two-thirds majority vote of these producers in favor of such advertising and sales promotion programs shall be the basis on which work in this regard is undertaken by marketing cooperatives, trade associations, and others engaged in the handling of wool, mohair, sheep or goats, or their products pursuant to agreement entered into with the Secretary. Funds necessary to defray the expenses of such advertising and promotion work are provided by producers, through pro rata deductions from their incentive payments.

Financing - Capital funds of the Commodity Credit Corporation will be used, subject to reimbursement from 70 percent of the specific duties collected on wool and wool manufactures imported into the United States beginning with the calendar year 1954. The budget estimate for the fiscal year 1956 represents the estimated amount required to reimburse CCC for expenses in connection with the wool and mohair payment program during the fiscal year 1955.

Budget
Estimate,
1956

Appropriated funds (permanent appropriation)

\$200,000

(c) National Wool Act

Appropriation Act, 1955, and base for 1956	- -
Budget Estimate, 1956	<u>\$200,000</u>
Increase (Reimbursement to CCC for estimated costs to be incurred in the fiscal year 1955)	<u>+200,000</u>

PROJECT STATEMENT

Project	:	1954	:	1955	:	1956 (estimated)
Reimbursement to Commodity Credit Corporation for costs incurred in the fiscal year 1955 (appropriation or estimate) ...	:	- -	:	- -	:	\$200,000

INCREASE

It is estimated that in the fiscal year 1955, expenses in connection with planning, formulating and outlining regulations and procedures, receiving and filing requests for payment, reviewing prices for reasonableness, listing pounds sold and price, and other activity concerning implementation at the county, state and departmental level of the wool and mohair payment programs will amount to \$200,000. The budget estimate for the fiscal year 1956 is the estimated amount required to reimburse the Commodity Credit Corporation for these costs in the fiscal year 1955. Such reimbursement is to be made from 70 percent of the specific duties collected on wool and wool manufactures imported into the United States, beginning with the calendar year 1954. It is estimated that actual payments on wool and mohair marketings during the marketing year ending March 31, 1956 will not take place until the fiscal year 1956, which activity is reimbursable the following fiscal year.

1956 Fiscal Year Program

The production of shorn wool has suffered a sharp decline of about 40 percent in recent years and is at the near record low level of approximately 230 million pounds.

The announced shorn wool incentive price of 62 cents per pound (106 percent of parity) is considered necessary to provide a stimulus for increasing production toward the 300 million-pound goal. At the same time, such price is consistent with the Act which provides that funds used for the program during the fiscal year are reimbursable from 70 percent of the specific duties collected on wool and wool manufactures during the preceding calendar year.

The estimated cost of \$31,625,000 for the wool and mohair payment program during the fiscal year 1956, reimbursable to CCC in fiscal year 1957, is as follows:

Wool:

Announced support level	62 cents per pound	
Estimated average price received		
by farmers	<u>52</u> cents per pound	
Incentive payment	10 cents per pound	
Estimated quantity of wool market..	300,000,000 pounds	
Total cost of payments (300,000,000		
pounds) @ 10 cents per pound		\$30,000,000

Mohair:

Announced support level	70 cents per pound	
Estimated average price received		
by farmers	<u>65</u> cents per pound	
Incentive payment	5 cents per pound	
Quantity of mohair marketed (est.).	14,000,000 pounds	
Total cost of payments (14,000,000		
pounds) @ 5 cents per pound		700,000
Administrative costs		844,000
Interest through June 30, 1956		<u>81,000</u>
Total		<u><u>31,625,000</u></u>

(d) Administrative Expenses, Section 392,
Agricultural Adjustment Act of 1938

This appropriation account for National and State operating expenses was established pursuant to section 392 of the Agricultural Adjustment Act of 1938, as amended (7 U. S. C. 1281-1407). There are transferred into this appropriation account, amounts estimated to be required for National office direction and for carrying out, or cooperating in carrying out, various programs assigned to the State Agricultural Stabilization and Conservation Offices.

The State Committees, appointed pursuant to the provisions of section 8(b) of the Soil Conservation and Domestic Allotment Act, are in general administrative charge of all programs in their respective States which are assigned to them through the Commodity Stabilization Service. Within the framework of the national policy, they determine State policies and direct the adaptation of the national programs to the State.

The amounts transferred into this appropriation account are within the limitation for administrative expenses established under the respective appropriations from which such transfers are made. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1955, as shown below and base for 1956	\$14,404,069
Transfers, 1956, as shown below	15,523,000
Increase	<u>+1,118,931</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(As shown in Budget Schedules)

Purpose for which funds are transferred into this account	1954	1955 (estimated)	1956 (estimated)	Increase or Decrease
<u>Agricultural Conservation Program:</u>				
For administration of Agricultural Conservation Program	\$3,825,732	\$3,637,324	\$4,116,500	+\$479,176
For administration of Farm Land Restoration Program	25,000	12,000	- -	-12,000
Total Agricultural Conservation Program	3,850,732	3,649,324	4,116,500	+467,176
<u>Agricultural Adjustment Programs:</u>				
For administration of acreage allotment and marketing: quota programs and in 1954, assistance to Selective Service agencies	5,200,000	5,500,000	6,165,000	+665,000
<u>Sugar Act Program:</u>				
For administration of sugar payment program	997,459	1,119,865	1,105,270	-14,595

Purpose for which funds are transferred into this account	1954	1955 (estimated)	1956 (estimated)	Increase or Decrease
Operating and Administrative Expenses, Federal Crop Insurance Corporation:				
For services in connection with Federal crop insurance program	81,887:	- -	- -	- -
Other:				
For services in connection with support and procurement programs and other miscellaneous programs	3,550,216:	4,134,880:	4,136,230:	+1,350
Total available	13,680,294:	14,404,069:	15,523,000:	+1,118,931
Unobligated balance	-469,209:	- -	- -	- -
Total Obligations	a/ 13,211,085:	a/ 14,404,069:	a/ 15,523,000:	+1,118,931

a/ Includes allotment of \$800 to the Extension Service.

WORK PERFORMED WITH FUNDS OBLIGATED IN 1954

Agricultural Conservation Program

Applications processed	1,877,955
Total farms	5,507,990
Participating farms	2,012,788
Counties in program	3,023

Agricultural Adjustment Programs (Acreage Allotments and Marketing Quotas)

	Allotments Established	Allotted Acreage	Counties in Program
Tobacco	609,529	1,702,731	930
Peanuts	139,605	1,639,308	508
Wheat	1,495,000	62,000,000	2,674
Cotton	1,023,140	21,425,000	1,110
Corn	1,829,970	46,995,504	834

Sugar Program

Number of farms	53,779
Number of acres	1,586,600
Number of counties	346

Price Support

Number of warehouse-stored loans	603,370
Number of farm-stored loans	581,544
Number of counties having completed loans	2,441
Number of lending agencies (approved)	11,187
Number of warehouse inspections and reinspections	20,329
Number of reinspections of farm-stored commodities	1,732,976
Number of loans and purchase agreements under which CCC acquired the commodity	949,362

Grain Storage Structure Program

Number of storage-structure sites	3,923
Number of storage structures	155,448

(e) Local Administration, Section 388,
Agricultural Adjustment Act of 1938

This appropriation account for Agricultural Stabilization and Conservation county offices was established pursuant to sections 392(a) and 388(b) of the Agricultural Adjustment Act of 1938, as amended (7 U. S. C. 1281-1407). There are transferred into this appropriation account amounts estimated to be required for carrying out or cooperating in carrying out various programs assigned to the ASC county offices.

The ASC county and community committees are responsible for the local administration of programs dealing directly with farmers. The elected ASC county committee is in charge of the county office.

The amounts transferred into this appropriation account are within the limitation for administrative expenses established under the respective appropriations from which such transfers are made. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1955, as shown below and base for 1956	\$112,940,630
Transfers, 1956, as shown below	103,620,000
Decrease	<u>-9,320,630</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(As shown in Budget Schedules)

Purpose for which funds are: transferred into this account	1954	1955 (estimated)	1956 (estimated)	Increase or Decrease
<u>Agricultural Conservation</u> <u>Program:</u>				
For administration of Agricultural Conserva- tion Program	\$19,263,622	\$18,378,200	\$18,378,200	- -
For administration of Farm Land Restoration Program	121,332	14,000	- -	- -
Total Agricultural Con- servation Program	19,384,954	18,392,200	18,378,200	-14,000
<u>Agricultural Adjustment</u> <u>Programs:</u>				
For administration of acreage allotment and marketing quota programs and in 1953 and 1954, assistance to Selective Service agencies	35,912,000	35,366,000	32,448,000	-2,918,000
<u>Sugar Act Program:</u>				
For administration of sugar payment program ..	339,100	379,200	511,730	+132,530

Purpose for which funds are:					
transferred into this	1954	1955	1956	Increase	
account		(estimated)	(estimated)	or	
				Decrease	
Operating and Administra-					
tive Expenses, Federal					
Crop Insurance Corpora-					
tion:					
For services in connection:					
with Federal crop insur-					
ance program	132,213	- -	- -	- -	
Other:					
For services in connection:					
with price support pro-					
grams and other miscel-					
laneous services	45,955,149	58,803,230	52,282,070	-6,521,160	
Total available for obliga-	a/	a/	a/		
tion	101,723,416	112,940,630	103,620,000	-9,320,630	
Unobligated balance	b/ 6,909,103	- -	- -	- -	
Obligations incurred	94,814,313	112,940,630	103,620,000	-9,320,630	

a/ Includes allotment of \$4,500 to the Extension Service.

b/ Includes \$3,732,196 for return to advancing appropriations and accounts.

Funds from this appropriation account are advanced to the ASC county committees each month or quarter on the basis of their estimate of requirements for the period less any unobligated balances on hand. These advances are deposited in the county committee bank accounts and used to pay the expenses of the committees. The estimate for the following month or quarter is reduced by the amount not obligated in the period just ended. Unobligated balances in the bank accounts at the end of a fiscal year are used for expenses of the next succeeding year. Year-end balances are kept as low as possible and as of the end of the last four fiscal years were as follows:

1951, \$1,151,336; 1952, \$807,511; 1953, \$1,211,860; 1954, \$3,320,994.

The ASC county committees perform certain functions for the Commodity Credit Corporation in connection with the CCC grain storage structure program and other CCC programs. This work which includes erection of storage structures, handling and maintenance of grain, maintenance and operation of sites and structures, etc., is paid for from the county committee bank accounts. Funds for these purposes are transferred into the account from the Commodity Credit Corporation corporate funds. The CCC funds in the account are then advanced to the ASC county committees in the same manner as other funds. The amount of advances in the fiscal year 1954 was \$39,287,000 and are estimated at \$51,198,230 for the fiscal year 1955 and \$45,552,070 for the fiscal year 1956.

WORK PERFORMED WITH FUNDS OBLIGATED IN 1954

Agricultural Conservation Program

Applications processed	1,877,955
Total farms	5,507,990
Participating farms	2,012,788
Counties in program	3,023

Agricultural Adjustment Programs (Acreage Allotments and Marketing Quotas)

	<u>Allotments Established</u>	<u>Allotted Acreage</u>	<u>Counties in Program</u>
Tobacco	609,529	1,702,731	930
Peanuts	139,605	1,639,308	508
Wheat	1,495,000	62,000,000	2,674
Cotton	1,023,140	21,425,000	1,110
Corn	1,829,970	46,995,504	834

Sugar Program

Number of farms	53,779
Number of acres	1,586,600
Number of counties	346

Price Support

Number of warehouse-stored loans	603,370
Number of farm-stored loans	581,544
Number of counties having completed loans	2,441
Number of lending agencies (approved)	11,187
Number of warehouse inspections and reinspections	20,329
Number of reinspections of farm-stored commodities	1,732,976
Number of loans and purchase agreements under which CCC acquired the commodity	949,362

Grain Storage Structure Program

Number of storage-structure sites	3,923
Number of storage structures	155,448

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which by November 30, 1954 were actually received or programmed for 1955 and 1956. Since work for other agencies is performed on a service basis at the request of those Agencies and for their benefit, it is not practicable to estimate in advance the amount to be received in most cases.)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Allotment from:			
Disaster Loans, etc., Revolving Fund,			
<u>Agriculture:</u>			
For emergency assistance in furnishing feed to farmers and stockmen in disaster areas	\$30,410,037	\$8,498,979	\$14,450
Allocations and Working Funds (Advances from other agencies):			
<u>Removal of surplus agricultural commodities:</u>			
Direct purchases	187,870,897	67,940,729	172,300,000
Encouragement of exportation	12,982,327	9,408,064	13,050,000
Diversions to by-products and new uses ..	959,408	1,902,500	3,975,000
Surplus removal operating expenses	678,916	700,000	1,100,000
Total	202,491,548	79,951,293	190,425,000
School Lunch Program:			
<u>Food assistance:</u>			
Cash payments	2,928,232	- -	- -
Commodity procurement (sec. 6)	14,853,066	15,000,000	- -
Operating expenses	137,660	116,000	- -
Total	17,918,958	15,116,000	- -
<u>Commodity Credit Corporation (Capital Funds)</u>			
For classing of cotton	78,778	- -	- -
For grading of wool	181,073	164,326	- -
Total	259,851	164,326	- -
Department of the Air Force -			
For indexing and preparation of aerial photographs for mosaic and charting purposes	169,982	213,946	- -
<u>Foreign Operations Administration:</u>			
For providing or procuring commodities for other agencies for distribution to foreign claimants	76,323,700	54,195,700	- -
For expenses in connection with training and technical assistance activities:	11,481	9,300	- -
Total	76,335,181	54,205,000	- -

(Continued on next page)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Disaster Relief, Executive Office of the President:			
To defray unrecoverable costs to the Commodity Credit Corporation under the hay purchase program for States affected by drought	500,000:	- -	- -
Total, Allocations and Working Funds	297,675,520:	149,650,565:	190,425,000
Trust fund:			
Miscellaneous Contributed Funds, Department of Agriculture - For aerial survey and preparation of photographs and charts ...	35,635:	94,890:	50,000
Obligations Under Reimbursements From Governmental and Other Sources:			
Agricultural Conservation Program:			
For sale of aerial photographs	448,146:	444,000:	444,000
Commodity Credit Corporation (administrative expense limitation):			
Supply and foreign purchases program .	722,238:	643,000:	350,000
Emergency feed program	536,683:	157,000:	- -
International wheat agreement	251,093:	282,295:	282,300
National Wool Act	- -	199,000:	844,000
Miscellaneous	27,860:	11,100:	- -
Total	1,537,874:	1,292,395:	1,476,300
Total, reimbursements	1,986,020:	1,736,395:	1,920,300
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS TO COMMODITY STABILIZATION SERVICE	330,107,212:	159,980,829:	192,409,750

ADMINISTRATION OF PRICE ADJUSTMENT ACT OF 1938

The sum of \$212,000,000 was appropriated by the Price Adjustment Act of 1938, approved June 21, 1938 (52 Stat. 819-820), to enable the Secretary of Agriculture to make parity payments to producers of wheat, cotton, corn (in commercial corn producing area), rice and tobacco. Such sum was to be available until expended. In fiscal year 1954, \$23,672 was transferred to the appropriation "Parity Payments, Department of Agriculture" for subsequent return to the surplus fund of the Treasury, and the remaining balance of \$6 representing a collection will be returned prior to the close of the fiscal year 1955.

ADVANCES TO AGRICULTURAL ADJUSTMENT ADMINISTRATION

The funds in this account were derived from proceeds from processing taxes, Agricultural Adjustment Act, in accordance with the Act of May 12, 1933, (48 Stat. 38) and any receipts should be deposited to the Surplus Fund of the Treasury in accordance with the Supreme Court decision invalidating certain sections of the Agricultural Adjustment Act and the Decision of the Comptroller General (A-69783) dated January 14, 1936. The unobligated balance of \$5,073 was returned to the surplus fund of the Treasury during fiscal year 1954.

PARITY PAYMENTS

The Emergency Supplemental Appropriation Act, 1940 authorized not to exceed \$11,000,000 of the funds appropriated under this item for use during the fiscal year 1940 (54 Stat. 34), for the purpose of making payments under Price Adjustment Act of 1938. An unobligated balance of \$23,672 was returned to this appropriation during fiscal year 1954 and was subsequently transferred to the surplus fund of the Treasury.

PASSENGER MOTOR VEHICLES

The 1956 estimates provide for the replacement of 3 passenger cars out of a total of 8 cars. There is also provision for the replacement of 1 station wagon out of a total of 3.

Passenger vehicles are replaced on the basis of justification with respect to the mileage and age standards prescribed by the Bureau of the Budget which provide that vehicles to be replaced must be at least six years or more of age or driven 60,000 miles or more and other factors. These replacements are necessary to provide essential service under Commodity Stabilization and Commodity Credit Corporation programs. The vehicles are used for travel to places which are in most cases not accessible by common carrier, such as travel to market terminals, railroad yards, piers, grain elevators, warehouses and farms, except for one car in Washington, D. C.

The Commodity Stabilization Service requires monthly operating reports, makes periodic surveys and analyses to determine the extent to which vehicles are being used and their condition. The vehicles are assigned to those field offices which require the use of cars in the efficient operation of their programs. Vehicles which are found to be in excess of the needs of an office are reassigned to other locations where the need is greater, or declared surplus.

The age and mileage data for the passenger motor vehicles on hand as of June 30, 1954, follows:

<u>Age Data</u>		<u>Mileage Data</u>	
<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Lifetime Mileage</u>	<u>Number of Vehicles</u>
1953	1	10,000 - 20,000	3
1951	2		
1950	2	30,000 - 40,000	2
		50,000 - 60,000	3
		60,000 - 70,000	1
1949	1	70,000 & over	2
1948	2		
1947	1	Total	<u>11</u>
1946 & older	<u>2</u>		<u>2</u>
Total	<u>11</u>		

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly owned Government Corporation created February 16, 1938, (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

In accordance with the established policy of limited operations on an experimental basis, the 1955 crop insurance program will operate about 900 county programs, furnishing insurance coverage of approximately 432 million dollars on wheat, cotton, flax, corn, tobacco, beans, citrus, multiple crops, and soybeans. It is estimated that 380,000 contracts will be in effect for the 1955 crop year, an increase of 33,100 over 1954.

Summary of Insurance Operations and Changes in Capital

	<u>Fiscal Years</u>		
	<u>1954</u>	<u>1955</u>	<u>1956</u>
Net capital at beginning of year ..	\$28,946,521	\$24,869,227	\$18,548,627
Additions to capital during the year:			
Insurance premiums (net)	27,689,740	23,024,200	29,260,000
Interest and other income	<u>163,699</u>	<u>75,000</u>	<u>100,000</u>
Total capital available for insurance operations during year	<u>56,199,960</u>	<u>47,968,427</u>	<u>47,908,627</u>
Deductions from capital during the year:			
Insurance indemnities	31,059,733	28,145,800	23,718,000
Loss adjustment and inspection cost	- -	1,044,000	1,116,000
Administrative expenses charged to program operations	- -	- -	1,500,000
Provision for estimated bad debts	<u>271,000</u>	<u>230,000</u>	<u>292,000</u>
Total deductions from capital	<u>31,330,733</u>	<u>29,419,800</u>	<u>26,626,000</u>
Net capital at end of year	<u>24,869,227</u>	<u>18,548,627</u>	<u>21,282,627</u>

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by 20 FCIC state or area offices. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation. Detailed program accounting and statistical functions are performed by a Branch office in Chicago. As of November 30, 1954, the Corporation employed 464 full-time employees, 94 of whom were in Washington and the balance in the field, and 514 part-time employees, of whom 2 were in Washington and the balance in the field. The 2 Washington part-time employees are Board Members who are not otherwise employed by the Government.

	<u>Appropriated, 1955</u>	<u>Budget Estimate, 1956</u>
Appropriated funds (Operating Expenses)	\$6,000,000	\$6,000,000

Operating and Administrative Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable From Premium Income</u>	<u>Total</u>
Appropriation Act, 1955, and base for 1956	\$6,000,000	- -	\$6,000,000
Budget Estimate, 1956	6,000,000	+\$1,500,000	7,500,000
Increase	- -	+1,500,000	+1,500,000

Note: As explained in more detail below, the 1956 Budget includes a proposal that not more than \$1,500,000 of the operating and administrative expenses of the Corporation may be paid from premium income. For clarification and completeness, the following schedules and justification explain the total estimate of \$7,500,000 required for administrative expenses, consisting of \$6,000,000 direct appropriation and \$1,500,000 payable from premium income.

SUMMARY OF INCREASES AND DECREASES, 1956

Increase in underwriting and actuarial analysis costs	+84,000
Increase in contract sales and servicing costs	+1,467,000
Decrease in crop inspections and loss adjustment costs	-51,000

PROJECT STATEMENT

Project	: 1954	: 1955	: Increases or Decreases	: 1956 (estimated)
1. Underwriting and actuarial analysis	: \$470,827:	: \$471,000:	: +\$84,000(1):	: \$555,000
2. Contract sales and servicing	: 4,574,502:	: 4,735,000:	: +1,467,000(2):	: 6,202,000
3. Crop inspections and loss adjustments	: 1,604,109:	: 794,000:	: -51,000(3):	: 743,000
Unobligated balance	: 800,562:	: - -:	: - -:	: - -
Total	: 7,450,000:	: 6,000,000:	: +1,500,000	: 7,500,000
Deduct: Obligations payable from premium income	: - -:	: - -:	: -1,500,000	: -1,500,000
Total appropriation	: 7,450,000:	: 6,000,000:	: - -:	: 6,000,000
Transferred from "Salaries and expenses, Rural Electrification Administration" pursuant to P.L. 286"	: -100,000:	: - -:		
Total appropriation or estimate	: 7,350,000:	: 6,000,000:		

General

A thorough analysis of the crop insurance program has emphasized the urgent need to expand the operations of the Corporation as rapidly as sound insurance practice will permit in order to provide greater premium income out of which administrative costs can more readily be absorbed and to offset the risk currently represented by concentrated participation in the wheat programs.

The volume of crop insurance operations has been rather constant for the past two years. During this period, planning was directed mainly toward the complete review and evaluation of the experience accumulated since 1948 when the program was put on a limited experimental basis. Primary efforts were directed toward effecting those changes in operations deemed necessary to improve the soundness of the crop insurance program.

The reorganization of the Underwriting Division on July 1, 1954, transferred the major responsibility for the establishment of rates and coverages to six area offices in the field. This will afford closer review of actuarial problems and will result in more direct action with regard to realignment of rates and coverages in order to correct deficiencies revealed by operating experience.

During fiscal year 1956, special emphasis will be centered on the procurement of new business and the further refinement of actuarial rates and coverages. Because such a large portion of the Corporation's liability is now concentrated in the major wheat producing areas, the high degree of risk represented by this concentration must be offset as rapidly as possible by writing new business in other areas of the country and on other crops. Therefore, a marked increase in participation is planned. To accomplish this, some degree of flexibility is required to provide funds for sales commissions commensurate with the success of sales campaigns.

The direct costs of loss adjusters for crop inspection and loss adjustments are currently being paid from premium income. It is planned that this item of expense will be financed in the same manner in 1956. In order to provide for the sales expansion mentioned above, it is proposed that of the \$7,500,000 required in 1956 for administrative and operating expenses, \$6,000,000 would be appropriated from the General Fund of the Treasury and \$1,500,000 would be paid from premium income. On this basis, the financial flexibility necessary for long-range planning to improve the soundness of the program will be provided.

INCREASES AND DECREASES

The net increase of \$1,500,000 for the fiscal year 1956 is composed of the following:

- (1) Increase of \$84,000 under the project "Underwriting and actuarial analysis".

Actuarial Supervision and Field Underwriting: Field underwriting work has been reorganized to provide for the more efficient operation of this activity. Six area offices have been established with a specific insurance area assigned to each office. A chief underwriter will be in charge of each area office with appropriate staff assistance as the situation requires.

The new organization will materially improve the actuarial work and furnish a sounder basis for program operations.

Because of the extensive losses the past two years, and the proposed payment of certain administrative and operating expenses from premium income, major emphasis will be placed on this phase of the work in 1956 to provide additional premium income. In addition, actuarial structures will have to be developed for 50 new and 40 replacement program counties in order to provide for the planned expansion in other areas and on other crops to offset the concentration of risk represented by the current high participation in the major wheat producing area of the country.

Farming practice data in many areas coverages and rates must be developed to reflect the different farming practices carried on within the area. In order for the Corporation to obtain these data for the 1956 fiscal year it will be necessary to make arrangements with other Government agencies to furnish the information on a contractual reimbursement basis. It is estimated that \$20,000 will be required for this work in the fiscal year 1956.

The estimated workload and costs for the fiscal years 1955 and 1956 are as follows:

Underwriting and Actuarial Analysis

Activity	:Fiscal Year 1955:		:Fiscal Year 1956:		:Increase (+)
	: No. of :		: No. of :		
	: County :	: Cost :	: County :	: Cost :	: or
	: Programs:		: Programs:		:Decrease (-)
1. County survey work	: 900:	\$59,265:	950:	\$80,500:	+\$21,235
2. Farming practice data ...	: - -:	- -:	- -:	20,000:	+20,000
3. State, branch, and head- quarters servicing costs .	: 900:	411,735:	950:	454,500:	+42,765
Total Cost	: 471,000:		: 555,000:		+84,000

(2) Increase of \$1,467,000 under the project "Contract sales and servicing".

Increase in participation: It is estimated there will be an increase of 90,000 contracts for the 1956 crop year over the estimated 380,000 contract workload planned for the 1955 crop year.

Administration of the crop insurance program by local agents: The crop insurance program will be administered at the county level by local sales agents under contractual agreements with the Corporation. These agreements provide that the agents will be compensated for their services on a commission basis. In order for the agent to earn a commission for any contract, he must obtain the acreage report and collect the premium by a specified date. The agreement provides the following rates of compensation for the 1955 crop year:

New contracts written \$4.00 flat fee, plus 6% of the earned premium

Contracts carried over from
previous years 4.00 flat fee, plus 3% of the earned premium

Collection of prior crop years

accounts 3% of amount collected or \$4.00 per account settled in full, whichever is greater, except that in no event shall the collection fee exceed 25% of the amount collected.

Sharecropper contracts \$.50 per sharecropper in excess of one insured under the contract.

Anticipated changes in rates for the 1956 fiscal year: Present contractual agreements provide for a maximum commission of \$20.00 on new business, and \$12.00 per contract on old business. In order to provide sufficient income to retain agents in counties where the average premium is high, and the number of contracts is low, it will be necessary to increase the maximum to \$30.00 and \$15.00 respectively. The 1956 estimates also provide for a \$.50 increase per sharecropper under the sharecropper contracts. This increase has been provided to place the agents' compensation more in line with the work involved on sharecropper contracts.

The estimated commission costs of sales and servicing for the 1955 and 1956 fiscal years are as follows:

Estimated Cost of Sales and Servicing

	1955 Fiscal Year		1956 Fiscal Year		Increase (+)	
	Units or Dollars	Compensa- tion Rate:	Units or Dollars	Compensa- tion Rate:	or	Decrease (-)
1. New business:						
New sales	78,000:	\$4.00:	143,200:	\$4.00:		+\$260,800
Premium	\$6,006,000:	6%:	\$10,986,400:	6%:		+298,823
Estimated cost, new business	- -:	- -:	672,360:	- -:		+559,623
2. Carryover business:						
Carryover Contracts	302,000:	\$4.00:1,208,000:	326,800:	\$4.00:1,307,200:		+\$99,200
Premium	\$23,254,000:	3%:	\$25,163,600:	3%:		+57,288
Estimated cost, carry- over business	- -:	- -:	1,905,620:	- -:		+156,488
3. Sharecroppers	30,000:	\$0.50:	36,000:	\$1.00:		+21,000
4. Collection of prior Year Accounts	12,700:	\$7.00:	48,900:	\$7.00:		+253,134
Total	- -:	- -:	2,681,910:	- -:		+990,245

Collection of prior crop years premium accounts: It is estimated there will be approximately 80,000 premium accounts for 1954 and prior crop years uncollected as of June 30, 1955. Since the crop insurance contract now provides for automatic termination for nonpayment of premium, a vigorous collection campaign will be carried on during the 1956 fiscal year in order to maintain a high percentage of carryover contracts and also assure maximum collections of outstanding accounts.

Insurance contract sales and statistics by commodity for the crop years 1955 and 1956 are as follows:

Sales Summary by Commodity Crop Year 1955

Commodity	Crop Year 1955 Sales						Contracts in Force 1955	Number of County Programs
	1954	Carryover from 1954	Replacement of Cancelations	Increase in Participation	Total			
	Participation							
Beans	6,352	5,000	400	-	400	5,400	16	
Citrus	407	400	7	133	140	540	2	
Corn	32,673	28,100	4,573	2,667	7,240	35,340	110	
Cotton	24,196	21,500	2,696	2,874	5,570	27,070	106	
Flax	23,451	20,500	2,951	799	3,750	24,250	50	
Multiple	41,042	34,100	4,700	-	4,700	38,800	85	
Soybeans	-	-	-	4,000	4,000	4,000	11	
Tobacco	83,082	74,800	8,282	15,088	23,370	98,170	121	
Wheat	135,697	117,600	18,097	10,733	28,830	146,430	399	
Total	346,900	302,000	41,706	36,294	78,000	380,000	900	

Sales Summary by Commodity Crop Year 1956

Commodity	Crop Year 1956 Sales						Contracts in Force 1956	Number of County Programs
	Carryover	Replacement of Cancelations	Increase in Participation	Total				
Beans	4,500	900	900	1,800	6,300	16		
Barley	-	-	600	600	600	6		
Citrus	500	40	170	210	710	2		
Corn	30,400	4,940	11,660	16,600	47,000	120		
Cotton	23,000	4,070	13,890	17,960	40,960	115		
Flax	21,400	2,850	4,100	6,950	28,350	50		
Multiple	32,900	5,900	4,000	9,900	42,800	85		
Soybeans	3,400	600	3,830	4,430	7,830	20		
Tobacco	84,700	13,470	33,180	46,650	131,350	130		
Wheat	126,000	20,430	17,670	38,100	164,100	406		
Total	326,800	53,200	90,000	143,200	470,000	950		

Continuous Contract: The crop insurance contract is continuous and remains in force until cancelled by either the Corporation or the insured. While the cancellation rate for 1953 contracts by the Corporation increased 3% over that for 1952, the rate for cancellations by insureds remain the same. The 3% increase in Corporation cancellations was the result of current efforts to terminate contracts held by individuals who could not be considered as bona fide producers, and to withdraw the program in those counties where because of the risk involved or the low level of participation and small premium income, the continuance of the program was not practicable. The cancellation rates of 1953 contracts in force are as follows:

Cancellation Rate 1953
(Percent)

<u>Commodity</u>	<u>Producer</u>	<u>Corporation</u>	<u>Total</u>	<u>Participation Rate</u>
Beans	14	16	30	34
Citrus	6	0	6	14
Corn	18	12	30	14
Cotton	22	29	51	15
Flax	9	5	14	53
Multiple Crop	16	9	25	22
Tobacco	12	26	38	30
Wheat	<u>9</u>	<u>7</u>	<u>16</u>	<u>29</u>
All commodities	13	15	28	24

The estimated workload and costs are as follows:

Contract Sales and Servicing

	<u>Fiscal Year 1955</u>			<u>Fiscal Year 1956</u>			
	:Aver-:			:Aver-:			:Increase(+)
Explanation	Units	age	Total	Units	age	Total	or
	:Cost :			:Cost :			:Decrease(-)
Agents com-	:	:	:	:	:	:	:
missions	380,000	\$7.06	\$2,681,910	470,000	\$7.81	\$3,672,155	+\$990,245
State, branch	:	:	:	:	:	:	:
and head-	:	:	:	:	:	:	:
quarters	:	:	:	:	:	:	:
servicing	:	:	:	:	:	:	:
costs	380,000	5.40	2,053,090	470,000	5.38	2,529,845	+476,755
	:	:	:	:	:	:	:
Total Costs.	380,000	12.46	4,735,000	470,000	13.19	6,202,000	+1,467,000

(3) Decrease of \$51,000 under project "Crop inspections and loss adjustments".

Direct cost of loss adjustments and crop inspections: The 1955 Department of Agriculture and Farm Credit Administration Appropriation Act provides that the direct costs of loss adjusters performing crop inspections and loss adjustments are considered as non-administrative expenses. A similar

provision is contained in the proposed appropriation language for 1956. Adjusters are appointed on an intermittent basis, and are paid only when services are performed. It is estimated that the direct costs of adjusters will be \$1,044,000 for the fiscal year 1955, and \$1,116,000 for the fiscal year 1956. On this basis, it is estimated that a reduction of \$51,000 can be made in this project representing the decrease in the proportionate share of indirect costs chargeable to this activity.

Loss adjustment activities: The Claims Division of the Washington Office is responsible for the direction of the loss adjustment activities of the Corporation. Under procedures and policies established by this division, the state offices appoint and train adjusters to adjust losses and inspect damaged crops. When the insured submits a claim for a loss under his insurance contract, the adjuster inspects the crop and submits the necessary reports to the state office for verification and approval. The claim is then transmitted to the branch office for computation of the amount of loss and for payment. In cases where the adjustment cannot be made under established procedures and regulations available to the state and branch offices, they are submitted to the Claims Division of the Washington Office for review and disposition.

Increase of 33,100 contracts for 1956 workload: The workload for loss adjustment and inspection activities in 1956 depends upon the extent of damage to 1955 insured crops which cannot be determined at this time. However, the direct cost of this activity for the fiscal year 1956 is estimated at \$1,116,000 which will be payable from premium income. This estimate is based on a normal year with average losses on the estimated 380,000 contracts in force for the 1955 crop year which is an increase of 33,100 contracts over the 1954 crop year.

The estimated workload and indirect costs treated as administrative expense are as follows:

Crop Inspections and Loss Adjustments

	: Fiscal Year 1955			: Fiscal Year 1956			
	:Number	:Aver-	:	:Number	:Aver-	:	:Increase(+)
	:of Con-	:age	: Total	:of Con-	:age	: Total	: or
	:tracts	:Cost	: Cost	:tracts	:Cost	: Cost	:Decrease(-)
State, branch	:	:	:	:	:	:	:
and head-	:	:	:	:	:	:	:
quarters	:	:	:	:	:	:	:
servicing	:	:	:	:	:	:	:
costs	:346,900:	\$2.29:	\$794,000:	380,000:	\$1.96:	\$743,000:	-\$51,000

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of the Capital and Insurance Fund as follows (new language underscored):

Federal Crop Insurance Corporation: Provided, That the direct costs of loss adjusters for crop inspections and loss adjustments may be considered as nonadministrative or nonoperating expenses: Provided further, That not to exceed \$1,500,000 of administrative and operating expenses may be paid from premium income.

This proposed change would provide authority to pay not to exceed \$1,500,000 of operating and administrative expenses of the Corporation from premium income as explained in more detail in the justification of the estimate.

The inclusion of this language would provide an orderly basis for the gradual transition of crop insurance operation to a self-sustaining basis and would permit definite advance planning of sales efforts to spread the risk and effect a well-balanced distribution of insurance coverage with regard to insured liability.

STATUS OF PROGRAM

The 1954 crop year is the seventh year that the Federal Crop Insurance Corporation has administered the crop insurance program on a limited experimental basis.

During this period premium income was \$128,961,692 while indemnities amounting to \$136,264,804 were paid. Principally, because of heavy losses paid on wheat during 1953 and 1954, the moderate reserve which had been accumulated through the 1952 crop year was expended. Based on current indications, it is estimated that a net deficit of approximately \$8.5 million will have accrued as of June 30, 1955. However, if average growing conditions prevail during the 1955 crop year, it is anticipated that this deficit will be reduced by about \$2½ million.

Crop Year 1954 Program

Crop insurance protection was available in 884 county programs furnishing coverage on wheat, flax, corn, beans, cotton, tobacco, citrus fruits, and multiple crops. A total of approximately 347,000 contracts was in force insuring the interest of about 370,000 farmers.

With the adjustment of losses on 1954 crops virtually complete except for tobacco, it is estimated that 1954 indemnity payments will amount to approximately \$28.1 million, or \$5 million in excess of premium income. A total of 104,000 inspections was made involving about 65,000 claims. For the second consecutive year heaviest losses occurred on wheat as a result of the drought in the Southwest area and rust in the Dakotas.

While indemnity payments exceeded premium income, the 1954 crop year experience is in line with the catastrophic growing conditions that prevailed in large sections of the insurance area and pointedly illustrates the part an extensive crop insurance program could play in bolstering the agricultural economy when large groups of our nation's farmers experience financial losses due to the failure of their crops.

Specific Problems to Which Efforts are now Being Directed

- a. Wider distribution of coverage. Approximately 40% of the total 1954 insurance coverage was on wheat. Because of the continued drought conditions in the Southwest and concentrated participation in the spring wheat area, it is necessary to expand the program in other sections of the country and on other crops in order to maintain a more conservative distribution of risk.

In 1955 soybean insurance will be offered in a few selected counties. Variations of the corn and multiple crop programs will be tried in a few experimental counties in order to determine the type of insurance on these crops that is most acceptable to farmers.

In 1956 a limited experiment on barley insurance will be conducted in a few counties.

- b. Refinement of rates and coverages. Notwithstanding the fact that unusually adverse growing conditions prevailed during the 1953 and 1954 crop years, it is apparent that further adjustment of underwriting policies is needed to place the program on a sound insurance basis. Special studies are now being made in this connection with corrective action being taken as rapidly as possible.
- c. Contract sales and servicing. On January 1, 1954, the sales and servicing of crop insurance contracts at the county level was transferred to individual agents. While this change has resulted in considerable improvement in many areas, a satisfactory solution has not yet been provided for getting this work done in areas where for various reasons, the agents' commission is not sufficient to interest and hold capable agents. Revision of agents' commission rates is now being considered and alternate operating plans are being tried in several counties to determine the best method of servicing the program in counties where the agency plan does not seem to operate satisfactorily.

Program Plans

During the 1954 fiscal year major attention was given to the evaluation of operating experience acquired during the past several years and to program and administrative changes that would improve the soundness of the program. With the majority of these changes now in effect, emphasis will be given to the orderly expansion of program operations, to increase premium income and to more evenly distribute the insurance liability.

The following table indicates the projected level of crop insurance operations for the 1955 and 1956 crop years as compared with 1954.

	1954 Crop Year	1955 Crop Year	1956 Crop Year
No. of County Programs	884	900	950
No. of Commodities Insured	34	34	34
No. of Contracts in Force	346,900	380,000	470,000
No. of Farmers Insured	369,700	410,000	506,000
Insurance Coverage (\$1,000)	\$353,470	\$431,429	\$533,605
Premiums (\$1,000)	23,024	29,260	36,150
Indemnities (\$1,000)	28,146	23,718	29,281
Loss Ratio:	1.22	.81	.81

Program Operating Statistics

There follows statistical data by commodities for the past five crop years.
The data on the 1954 crop year are estimated.

BEANS					
<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states.....	8	8	8	8	6
Number of county programs.....	18	28	30	30	24
Number of contracts.....	5,138	9,457	9,014	8,390	6,352
Percentage of eligible farmers insured	20	31	30	39	34
Number of indemnities.....	1,070	1,555	622	645	1,142
Premiums (\$1,000).....	\$102	\$191	\$198	\$231	\$195
Indemnities (\$1,000).....	\$187	\$599	\$110	\$142	\$350
Surplus or deficit (-) (\$1,000)	-\$85	-\$408	\$88	\$89	-\$155
Loss ratio.....	1.84	3.14	.55	.62	1.80

CITRUS					
<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states.....		1	1	1	1
Number of county programs		1	1	1	2
Number of contracts.....		290	202	218	407
Percentage of eligible (No program until farmers insured .....1951)		17	12	13	14
Number of indemnities.....		-	1	-	-
Premiums (\$1,000) .....		.82	.56	.63	\$105
Indemnities (\$1,000).....		-	.2	-	-
Surplus or deficit (-) (\$1,000)		.82	.54	.63	\$105
Loss ratio.....		-	.04	-	-

CORN

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states	14	14	14	13	13
Number of county programs.....	73	97	99	108	99
Number of contracts.....	32,292	37,568	36,598	40,429	32,673
Percentage of eligible farmers insured.....	17	15	15	16	14
Number of indemnities	4,006	8,230	1,259	1,118	2,777
Premiums (\$1,000)	\$724	\$1,080	\$1,350	\$1,664	\$1,361
Indemnities (\$1,000).....	\$911	\$2,567	\$339	\$278	\$1,004
Surplus or deficit (-) (\$1,000)	-\$187	-\$1,487	\$1,011	\$1,386	\$357
Loss ratio.....	1.26	2.38	.25	.17	.74

COTTON

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states	12	12	12	12	12
Number of county programs	80	100	98	109	101
*Number of contracts	63,969	57,715	38,086	38,434	24,196
Percentage of eligible farmers insured	29	20	16	23	15
Number of indemnities.....	31,244	8,154	3,629	5,407	4,268
Premiums (\$1,000)	\$1,831	\$2,674	\$2,079	\$2,354	\$1,486
Indemnities (\$1,000)	\$5,148	\$2,202	\$922	\$2,457	\$1,084
Surplus or deficit (-) (\$1,000)	-\$3,317	\$472	\$1,157	-\$103	\$402
Loss ratio.....	2.81	.82	.44	1.04	.73

*Does not include sharecroppers covered by sharecropper contracts for 1952, 1953 and 1954.

FLAX

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states.....	5	4	4	4	4
Number of county programs.....	58	59	59	53	53
Number of contracts.....	20,847	19,788	18,257	23,433	23,451
Percentage of eligible farmers insured	34	35	28	54	53
Number of indemnities	1,474	1,857	1,747	3,755	4,276
Premiums (\$1,000).....	490	459	512	824	939
Indemnities (\$1,000)	205	226	407	787	745
Surplus or deficit (-) (\$1,000)	285	233	105	37	194
Loss ratio.....	.42	.49	.79	.95	.79

MULTIPLE CROPS

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states.....	27	32	32	27	22
Number of county programs.....	55	95	118	113	96
Number of contracts	27,725	36,220	42,709	50,217	41,042
Percentage of eligible farmers insured	22	17	17	23	22
Number of indemnities.....	4,061	7,082	9,867	8,784	10,064
Premiums (\$1,000).....	1,252	1,958	3,021	3,863	3,606
Indemnities (\$1,000).....	1,174	3,237	7,047	2,506	4,823
Surplus or deficit (-) (\$1,000)	78	1,279	4,026	357	1,217
Loss ratio.....	.94	1.65	2.33	.91	1.34

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TOBACCO

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states	12	12	12	12	12
Number of county programs.....	52	69	82	103	107
*Number of contracts	71,898	76,426	76,973	102,691	83,082
Percentage of eligible farmers insured	46	35	31	34	30
Number of indemnities.....	7,690	4,878	8,090	24,829	11,115
Premiums (\$1,000).....	\$1,451	\$1,586	\$1,543	\$2,029	\$2,351
Indemnities (\$1,000)	\$887	\$779	\$1,213	\$3,852	\$1,854
Surplus or deficit (-) (\$1,000)	\$564	\$807	\$330	\$1,823	\$497
Loss ratio.....	.61	.49	.79	1.90	.79

*Does not include sharecroppers covered by sharecropper contracts for 1953 and 1954.

WHEAT

<u>Item</u>	<u>Crop Years</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of states.....	24	24	24	24	24
Number of county programs.....	283	352	390	405	402
Number of contracts.....	84,816	105,746	118,847	142,818	135,697
Percentage of eligible farmers insured	21	22	23	29	29
Number of indemnities	12,302	27,064	17,728	34,736	31,553
Premiums (\$1,000)	\$8,254	\$11,081	\$12,443	\$16,078	\$12,981
Indemnities (\$1,000).....	\$4,287	\$11,728	\$10,570	\$20,041	\$18,286
Surplus or deficit (-) (\$1,000)	\$3,967	\$647	\$1,873	\$3,963	\$5,305
Loss ratio.....	.52	1.06	.85	1.25	1.41

SUMMARY

Item	Crop Years				
	1950	1951	1952	1953	1954
Number of states.....	40	42	43	43	42
Number of county programs.....	619	801	877	922	884
Number of contracts	306,685	343,210	340,686 <u>1/</u>	406,630 <u>2/</u>	346,900 <u>3/</u>
Number of indemnities	61,847	58,820	42,943	79,274	65,195
Premiums (\$1,000)	\$14,104	\$19,111	\$21,201	\$27,105	\$23,024
Indemnities (\$1,000).....	\$12,799	\$21,339	\$20,609	\$31,062	\$28,146
Surplus or deficit (-) (\$1,000)	\$1,305	-\$2,228	\$592	-\$3,957	-\$5,122
Loss ratio.....	.91	1.12	.97	1.15	1.22

1/ Net contracts. Actually 346,751 farmers insured. The difference represents 6,065 additional sharecroppers covered by sharecropper contracts, whereby all sharecroppers on one farm are insured under one contract.

2/ Net contracts. Actually 412,205 farmers insured. See 1/

3/ Net contracts. Actually 369,700 farmers insured. See 1.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes amount which by November 30, 1954, was actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	:	:	Estimated	:	Estimated	
	:	Obligations	:	obligations	:	obligations
	:	1954	:	1955	:	1956
<u>Obligations Under Reimbursements</u>	:		:		:	
<u>From Governmental and Other</u>	:		:		:	
<u>Sources:</u>	:		:		:	
Operating and administrative	:		:		:	
expenses	:	\$1,919	:	\$2,500	:	- -

RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for the extension of central station electric service to unserved rural people. The agency was continued by the Rural Electrification Act approved May 20, 1936, and became a part of the Department of Agriculture, effective July 1, 1939, under Reorganization Plan II. On October 28, 1949, the Rural Electrification Act was amended by Public Law 423, 81st Congress, to authorize REA to make loans for the purpose of furnishing and improving rural telephone service.

Loans for construction of electric and telephone facilities are self-liquidating within a period not to exceed 35 years, and bear interest at the rate of 2 percent. Loans to finance wiring installations and electrical and plumbing appliances and equipment are also made at 2 percent interest but for shorter periods.

In the electrification program, the principal borrowers of this Administration are cooperative associations formed solely for the purpose of making electricity available in rural areas. Borrowers are encouraged to plan area coverage programs for the expeditious extension of central station service to remaining unserved farms and to plan over-all operations and maintenance of facilities to serve the consumers most effectively and assure maximum security for the Government's loan. The accumulated experience and sound financial condition of many borrowers is fully utilized in developing and carrying out their operation plans.

In the telephone program, loans are made to both private companies and cooperatives. REA is following the policy of continuous cooperation with the industry in the extension of telephone service to rural areas. REA works with the telephone borrowers in developing sound construction and operating policies, and with manufacturers in the development of efficient and economical telephone equipment specifically designed for rural needs. Practically no standards or equipment specifically designed for rural telephone systems were in existence before REA initiated work in this field. In the interest of protecting loan security, considerable time and attention must be devoted to working directly with borrowers which, for the most part, have had little or no past experience in operating efficient up-to-date rural telephone systems. They are expected, however, to assume responsibility for the operation of their systems.

The Rural Electrification Administration has no field offices. Relations with the borrowers are maintained through offices in Washington and a staff of full-time field employees working directly with the borrowers.

The Rural Electrification Administration on November 30, 1954, had 971 full-time employees, 773 of whom were in Washington departmental service and 198 in the field service.

	Authorization, 1955	Budget Estimates, 1956
Loan Authorizations:		
Rural Electrification	a/ 135,000,000	a/ 160,000,000
Rural Telephone	75,000,000	70,000,000
Total, loan authorizations	210,000,000	230,000,000
Salaries and expenses	7,285,000	7,680,000

a/ Excludes reserve authorization of 35,000,000.

(a) Loan Authorizations

Electrification Loans

	<u>Loan Authorization</u>	<u>Estimated Loan Requirements</u>
Appropriation Act, 1955 (authorization to borrow from Secretary of the Treasury	a/ \$235,000,000	b/ \$165,000,000
Budget Estimate, 1956	a/ 160,000,000	b/ 185,000,000
Increase in loan authorization .	<u>+25,000,000</u>	<u>+20,000,000</u>

- a/ In addition a reserve authorization of \$35,000,000 was provided in 1955 and the same amount is proposed for 1956.
- b/ In addition to new loan authorizations, balances carried over from prior years are available to meet loan requirements.

Telephone Loans

Appropriation Act, 1955 (authorization to borrow from the Secretary of the Treasury).	\$75,000,000	a/ \$75,000,000
Budget Estimate, 1956	<u>70,000,000</u>	a/ <u>80,000,000</u>
Decrease in loan authorization .	<u>-5,000,000</u>	<u>+5,000,000</u>

- a/ In addition to new loan authorizations, balances carried over from prior years are available to meet loan requirements.

PROJECT STATEMENT

(On the basis of loan requirements)

Project	1954	1955 (estimated)	Increases	1956 (estimated)
<u>Loans</u>				
1. Rural electri- fication loans .	\$167,104,100	\$165,000,000	+\$20,000,000 (1)	\$185,000,000
2. Rural telephone loans	74,712,000	75,000,000	+5,000,000 (2)	80,000,000
Total loan re- quirements ..	241,816,100	240,000,000	+25,000,000	265,000,000

INCREASES

An increase of \$25,000,000 in loans as follows:

(1) An increase of \$20,000,000 in rural electrification loans. Rural electrification loan needs are expected to increase during the fiscal year 1956. Though distribution loans for initial connections will probably reach the minimum annual level during 1956, it is anticipated that a heavy increase in need for system improvements and generation loans will begin to develop during the 1956 fiscal year.

It is estimated that by the end of the fiscal year 1955, there will be less than 100,000 farms in the service areas of REA borrowers who are not yet receiving central station electric service and whose service is not provided for in loans approved by REA through June 30, 1955. It is expected that loans for the fiscal year 1956 will provide for about 45,000 of these. In addition to the farms remaining to be electrified, there are non-farm rural dwellings and other rural establishments to be served. There has been a marked increase in recent years in the number of new non-farm establishments developing in rural areas. The proportion of the total consumers served by REA borrowers which are farm consumers dropped from 78 percent in 1950 to about 65 percent in 1954. About 50 percent of the consumers connected by REA borrowers during 1954 were farms. It is likely that the majority of the non-farm rural establishments connected in 1954 were newly built. Loans in 1956 are expected to provide for connection of approximately 41,000 rural non-farm establishments in addition to the 45,000 farms. Assuming a continuation of the current trend of construction of rural non-farm establishments, and allowing for a normal rate of new farm residence construction, it is likely that within the next few years initial connection of rural establishments, farm and non-farm, will level off at about 60,000 consumers annually.

The need for loans for system improvements is expected to begin increasing substantially during fiscal year 1956. Electrification borrowers are presently requiring about \$38 million a year for system improvements. This increasing need will require loans of about \$65 million during the fiscal year 1956. It is likely that within the next few years this need will increase to an annual level of over \$100 million. Loans to distribution borrowers generally providesufficient system capacity to serve the increasing loads for a period of about eight years in accordance with the KWH consumption averages per consumer which are used in the loan feasibility studies. With the peak loan years having occurred in 1948-1950 most of the borrowers are approaching the time when it will be necessary for them to make substantial investments in system improvements to serve their expanding electric loads. As borrower distribution systems become more stabilized, the annual needs for system improvements are expected to be at least 5 percent of the distribution plant investment. Utility industry experience indicates that annual capital expenditures average approximately 10 percent. However, the estimate of 5 percent for REA borrowers is considered realistic in view of the fact that REA financed systems were planned and established with completely new facilities compared with a distribution plant of varying age and condition as is the case generally in the utility industry.

The increasing need of power in rural areas will undoubtedly require a more rapid expansion of the generation and transmission facilities of REA borrowers. Many of the borrowers have power supplies in prospect to serve their expanding loads through 1958 and must make arrangements during the coming year to secure power for the period after 1958. REA is working with the borrowers on these problems, and every feasible plan for obtaining additional power from existing suppliers is being explored. It is apparent at this time that increased amounts of loan funds will be required to finance generation and transmission in areas where other power sources either do not exist or cannot supply the additional power at costs acceptable to REA borrowers. Loan requirements for generation and transmission may total \$53 million during fiscal year 1956.

Because of the State limitation provision in the Rural Electrification Act it is sometimes not possible to meet the full loan needs in a particular State. To overcome this problem, it is believed that this provision of the Act should be repealed. However, language proposed in the 1956 Budget Estimates provides that if legislation is not enacted during the first session of the 84th Congress, a reserve authorization of \$35 million will be available. Such an authorization is needed to provide the flexibility in State limitations and will permit the Administration to fully meet presently anticipated loan needs.

The status of electrification loan funds for 1954, 1955, and estimated for 1956 is shown below:

Rural Electrification Loans:

	Fiscal year 1954 (Actual)	Fiscal year 1955 (Estimated)	Fiscal year 1956 (Estimated)
Loan authorization.. a/	\$173,000,000	b/ \$135,000,000	b/ \$160,000,000
Carryover from prior year	+29,919,203	+46,996,190	+21,096,190
Rescissions during year of prior loans	<u>+11,181,087</u>	<u>+4,100,000</u>	<u>+4,000,000</u>
Amount available for loans	214,100,290	186,096,190	185,096,190
Carryover into subsequent year	<u>-46,996,190</u>	<u>-21,096,190</u>	<u>-96,190</u>
Loan requirements	<u>167,104,100</u>	<u>165,000,000</u>	<u>185,000,000</u>

a/ Includes \$38,000,000 of reserve authorization utilized during fiscal year 1954.

b/ In addition, reserve authorization of \$35,000,000 available in 1955, and \$35,000,000 proposed for 1956.

(2) An increase of \$5,000,000 in rural telephone loans. Rural telephone loans are providing farmers and other rural people of the country with an essential service vital to agricultural welfare and more efficient farm operation. While significant progress is being made in rural telephony, it is expected that by the end of the fiscal year 1955 the number of farms in this country with telephone service will still be less than 50 percent.

At the beginning of fiscal year 1956, it is estimated that applications on hand will total about \$80 million. During the fiscal year it is likely that about another \$75 million will be received.

The estimated increase in loans from \$75 million in fiscal year 1955 to \$80 million in fiscal year 1956 can be handled with a decrease in the new loan authorization, since it is estimated that the carryover of unused loan funds into fiscal year 1956 from fiscal year 1955 will total slightly over \$10 million.

The loans estimated for fiscal year 1956 are expected to provide improved service for about 77,000 existing subscribers and initial service to about 91,000 subscribers.

Continuation of the lending activities at a relatively stable level is recommended. With the number of qualified personnel available to REA continuation at about this level will provide for economical and efficient administration, with assurance that loans will be economically sound, adequately secured, and in the long run beneficial to the user. With the combined efforts of the government and the telephone industry it is expected that significant progress can be made in the extension of telephone service in rural areas.

The status of telephone loan funds for 1954, 1955, and estimated for 1956 is shown below:

Rural Telephone Loans:

	Fiscal year 1954 (Actual)	Fiscal year 1955 (Estimated)	Fiscal year 1956 (Estimated)
Loan authorization	\$67,500,000	\$75,000,000	\$70,000,000
Carryover from prior years	+7,092,500	+8,158,176	+10,158,176
Rescissions of prior year loans	+8,277,676	+2,000,000	- -
Amount available for loans	82,870,176	85,158,176	80,158,176
Carryover into subse- quent year	-8,158,176	-10,158,176	-158,176
Estimated loan require- ments	<u>74,712,000</u>	<u>75,000,000</u>	<u>80,000,000</u>

CHANGE IN LANGUAGE

The estimates include a proposed change in language as follows (new language underscored; deleted matter enclosed in brackets):

LOANS

For loans in accordance with said Act, and for carrying out the provisions of section 7 thereof, to be borrowed from the Secretary of the Treasury in accordance with the provisions of section 3 (a) of said Act as follows: Rural electrification program, [~~\$135,000,000~~ \$160,000,000]; and rural telephone program, [~~\$75,000,000~~ \$70,000,000]; and additional amounts, not to exceed \$35,000,000 for the rural electrification program, may be borrowed under the same terms and conditions to the extent that such additional amounts are required during the fiscal year [~~1955~~ 1956], under the then existing conditions, for the expeditious and orderly development of the program, but only if the provisions in effect January 1, 1955, of the allotment formulas set forth in paragraphs (c) and (d) of section 3 of said Act (7 U.S.C. 903 (c) (d)) are not repealed by a law enacted by the first session, Eighty-fourth Congress.

The proposed change in language would make the additional authorization of not to exceed \$35,000,000 available for rural electrification loans only if legislation eliminating present requirements for allotments among States is not enacted. The reserve loan authorization will be necessary to meet loan needs in individual States if the state allotment provisions are continued. However, if these provisions are repealed during the first session of the Eighty-fourth Congress the additional authorization would not be necessary.

(b) Salaries and Expenses

Appropriation Act, 1955, and base for 1956	\$7,285,000
Budget Estimate, 1956	<u>7,680,000</u>
Increase	<u>+395,000</u>

SUMMARY OF INCREASES, 1956

Rural Telephone Program

Increase for construction activities applicable to new loans ..	+138,865
Increase for loan security activities with respect to outstanding loans	+256,135

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
1. Administration of Rural Electrification Program:				
(a) Lending and construction activities-new loans	\$1,799,862	\$1,680,230	- -	\$1,680,230
(b) Loan security activities- outstanding loans	2,705,493	2,468,715	- -	2,468,715
Total, Administration of rural electrification				
program	4,505,355	4,148,945	- -	4,148,945
2. Administration of Rural Telephone Program:				
(a) Lending activities- new loans	1,222,554	1,225,726	- -	1,225,726
(b) Construction activities- new loans	993,149	1,198,896	+138,865	1,337,761
(c) Loan security activi- ties-outstanding loans ...	582,616	711,433	+256,135	967,568
Total, Administration of rural telephone program:	2,798,319	3,136,055	+395,000(1)	3,531,055
Unobligated balance	250,264	- -	- -	- -
Total available or estimate ..	7,553,938	7,285,000	+395,000	7,680,000
Transfers to:				
"Salaries and expenses, Bureau of Agricultural Economics"	+100,500	- -		
"Operating and administrative expenses, Federal Crop Insurance Corporation"	+100,000	- -		
"Salaries and expenses, Office of Information, Agriculture"	+9,500	- -		
Transfer in 1955 estimates to				
"Federal Extension Service" .	+11,062	- -		
Total appropriation or estimate:	7,775,000	7,285,000		

INCREASES

(1) An increase of \$395,000 under the project "Administration of the Rural Telephone Program" composed of:

(a) An increase of \$138,865 for construction activities - new loans. The increase is needed to enable REA to handle a construction program more nearly in balance with the loan program by 1956. The time lag before construction begins on loans approved is about reaching the point where additional engineering staff must be available to work with borrowers in completing construction financed by the heavy loan activity of recent years. This construction work on prior-year loans must go forward at about the same rate as new loans are made, so that the backlog of construction workload does not become too great. At the beginning of the fiscal year 1954, less than 10 percent of the miles for which loans had been made had been constructed. Though the construction rate more than doubled during 1954, the level of the loan program during that year resulted in an increase in the backlog of construction work--the number of miles loaned but not constructed. During fiscal year 1955, the construction completed is expected to again nearly double from the 1954 rate. Even at this rate the facilities constructed will still be equivalent to only about two-thirds of the facilities loaned for in that year. The requested increase for 1956 would make it possible to complete the extension of service to farmers and other rural people at about 80 to 90 percent of the loan rate. While the number of borrowers undertaking construction, the miles constructed, and the subscribers served are each expected to increase by 50 percent or more, the requested increase amounts to about 11 percent of the amount available for 1955 for this activity.

Data pertaining to workload:

	<u>1954 Actual</u>	<u>1955 Estimate</u>	<u>1956 Estimate</u>
Miles loaned, not completed,			
start of year	80,094	99,035	118,000
Miles constructed, annual	18,163	31,459	49,000
Miles constructed, cumulative.	26,541	58,000	107,000
Subscribers loaned, not yet			
served, start of year	277,868	325,657	395,000
Subscribers served, annual ...	60,271	89,000	147,000
Subscribers served, cumulative	85,000	174,000	321,000
Unadvanced funds, start of			
year	\$86,482,196	\$124,476,394	\$147,476,394
advances, annual	28,440,124	50,000,000	65,000,000

(b) An increase of \$256,135 for loan security activities - outstanding loans. In the early years of a new loan program efforts are aimed primarily at loan analysis and processing activities. Construction activities must follow closely behind these loan activities to accomplish the objectives of the loans which have been approved. With the many difficulties encountered in getting a new program started, especially in the case of rural telephony, where qualified personnel are very scarce and difficult to recruit, it has not been possible to develop an adequate staff for loan

security activities. The Administration is encountering an increasing number of loan security matters and the size of available staff is inadequate to assure the successful handling of the problems. With the increased loans made in the telephone program within the past two years, and an increasing amount of construction nearing completion, REA is at a critical point in the program where no further delays can be permitted in attention to loan security matters if the program is to continue successfully.

At the beginning of 1954, 165 borrowers were in operation; this number increased to 233 at the beginning of 1955 and is expected to reach 322 by the beginning of 1956. These borrowers are carrying out a marginal operation and most of them are inexperienced in operating a modern rural telephone system on such a large scale. The telephone business being one of small margins and inflexible revenue, it is imperative that bad trends be corrected as rapidly as possible after they appear. Some of the earlier small problems of borrowers in operation for the past year or two are manifesting themselves in more serious problems which can very likely have a significant effect on the future of these borrowers. The increased attention that must be given to these borrowers and the work that must be done with the large number of new borrowers coming into operation makes it urgent that the proposed increase be approved.

Many of these new borrowers have started with a system serving the nucleus of their future territory. As they extend their area coverage it is expected that new applications for loans will be submitted to REA. In these cases it will, of course, be necessary to be sure that the borrowers' present operations are going forward on a sound basis before the new loan can be considered. This will tend to make the need for loan security work with these borrowers more intensive.

Data pertaining to workload:

	<u>1954 Actual</u>	<u>1955 Estimate</u>	<u>1956 Estimate</u>
Cumulative loans, end of year	184,578,542	\$257,578,542	\$337,578,542
Cumulative advances, end of year	60,102,146	110,102,146	175,102,146
Total payments due, annual	454,584	555,000	1,265,000
Number of borrowers, start of year	219	279	375
Borrowers in operation, start of year	165	233	322
Cumulative miles constructed or improved, start of year	8,243	26,541	58,000

CHANGE IN LANGUAGE

The estimates include a proposed change in language as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

For administrative expenses, including not to exceed \$500 for financial and credit reports, and not to exceed [~~\$75,000~~] \$150,000 for employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), [~~\$7,285,000~~] \$7,680,000.

The proposed change in language would increase from \$75,000 to \$150,000 the limitation on employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a). The limitation was originally placed in the appropriation language to make necessary provision for carrying out research work on telephone equipment and systems through contracts with private companies and individuals. Subsequently it was determined that the new authority superseded previous unlimited authority of REA to hire consultants, thus the new limitation limits the amount of funds REA can use for salaries of consultants. With the future possibilities in the field of atomic energy for the generation of electric power, it is likely that as progress is made in this field REA will need engineers with backgrounds in atomic energy. For the most part employment in this field is presently limited to per diem consultants. Should it be found desirable and more effective to fill some of the future vacancies in engineering positions through employment of engineering consultants on a per diem basis such employment would be severely restricted with the present limitation of \$75,000 on both contractual research and employment of consultants. Raising the limitation to \$150,000 will provide sufficient flexibility for most effective utilization of the funds.

STATUS OF PROGRAM

1954 Electrification Program

During 1954, loans reached the highest level since 1951; advances and construction activity continued at a high rate; and significant progress was made in the program for improving the security of outstanding loans. The cost of administering the electrification program dropped by \$1.2 million below the 1953 figure, a reduction of over 20 percent. Program developments during 1954 are highlighted below.

Lending and Construction

Loans and advances of loan funds. In the fiscal year 1954, loans amounted to \$167,104,100 and advances of loan funds, mainly from loans of prior years, were \$181,528,532. Tables No. I and II present comparable figures year by year. Loans in 1954 were made for the following purposes:

	1954 Loans	
	Percentage of Total:	Amount
Distribution lines	76.4	\$127,727,652
New line construction	(52.1)	(87,060,971)
Deficiencies in prior loans ..	(1.4)	(2,351,585)
System improvement (includes		
Communication Facilities ...	(22.9)	(38,315,096)
Generation	11.1	18,498,460
Transmission	7.6	12,740,020
Headquarter facilities, office		
buildings, warehouses, etc. ..	3.7	6,104,968
Section 5 loans (consumer		
facilities)	1.2	2,033,000
Total loans for year	100.0	167,104,100
Rescissions of prior loans		
during year		11,181,087
Net increase during year in		
cumulative loan obligations ..		155,923,013

A total of 325 loans was made in 1954, as compared with 345 in 1953. They will provide for the construction of approximately 36,144 miles of line to bring electric service to about 171,313 new consumers, for heavying up of existing systems, and for generation and transmission facilities. Applications on hand dropped from \$193 million at the beginning of the year to \$117 million at the end of the year.

Unadvanced loan funds, which amounted to \$467,783,285 on June 30, 1953, declined to \$442,177,766 on June 30, 1954, a decrease of over \$25 million.

Consumers Connected and Construction Progress. In the 12 months ending June 30, 1954, electricity was extended to 157,283 rural consumers through the construction of 44,187 miles of line. During the previous year, 182,514 consumers were connected through the construction of 60,970 miles of line.

Loan rescissions. Periodically, REA reviews the status of unadvanced loan funds for all borrowers, as well as doing so each time a new loan is under consideration for a particular borrower. Loans are rescinded or transferred to other needed purposes where it is indicated that borrowers no longer need the remaining unadvanced funds for the purpose for which they were loaned. During the fiscal year 1953, \$27.5 million in loans was rescinded and nearly \$11.2 million in 1954. It is estimated that rescissions during the fiscal year 1955 will approximate \$4.1 million.

Loan Security Activities

Loan repayments. Cumulative principal and interest payments to June 30, 1954, amounted to \$338,884,697 and \$177,303,205, respectively. As of that date, payments on principal made ahead of schedule amounted to approximately \$69,002,443, while principal and interest payments overdue more than 30 days amounted to \$379,880, or less than 0.1 of one percent of the amount due. (Overdue amount does not include interest and principal in the amount of \$44,478 shown on the accounts as due on two loans which were foreclosed). The corresponding figures as of June 30, 1953, were:

Payments:

Principal	\$279,889,098
Interest	151,123,323
Repayments ahead of schedule	56,767,853
Payments overdue more than 30 days	733,450
Interest and principal due on two foreclosures	44,478

Increased debt service. To achieve a revenue-producing status, borrowers generally need a 5-year period for construction and the development of loads on the lines. For that reason, most of them are granted a 5-year deferment of interest and principal payments on each loan after which interest and principal payments are scheduled in equal annual installments over the remaining 30 years of the loan period. Since most borrowers have received several loans over a period of time, this means that their total period of debt repayments to REA is substantially greater than 35 years. This frequently means that their debt service obligations will peak sometime during the mid part of their loan period. From 1948 to 1951, annual principal and interest due from borrowers increased from

approximately 30 million dollars to approximately 40 million dollars. From 1951 to 1954, annual principal and interest due increased to almost 70 million dollars.

Loan security problems. Because of the situations outlined above, any analysis of loan security must go considerably beyond the position of the borrowers with respect to their current loan repayment schedules. The debt service earned ratio provides one measure that is useful in this regard. This is a ratio of the margin of revenue over expenses (including an allowance for replacements) to the maximum debt service requirement on all advances whether payments on them are due or not under the notes. This debt service earned ratio is most meaningful when assessed in terms of the weighted age of the borrowers plant. That is, a system which has only recently put part of its plant in service is rarely in a position to earn full debt service, and should be judged on a different scale than a system which has operated most of its plant for a good many years.

Determinations were made as to the minimum debt service earned ratio to be expected in terms of weighted age categories. For example, a borrower with a weighted age of more than six years is expected to earn at least 100 percent of debt service; a borrower with a weighted age of from 61 to 72 months is expected to earn at least 80 percent, etc. On this basis, the debt service earned ratios of 201 borrowers fell below expectations during the calendar year 1953, as compared with 192 during the calendar year 1952.

Borrowers with debt service earned ratios below expectations, plus the relatively few in default on payments, and a few others where loan security appears endangered for specific reasons, constitute the group toward which the loan security program is directed.

During the fiscal year 1954, 306 borrowers were considered as loan security problems at some time during the year. Plans for correcting these loan security problems were developed with 142 of these borrowers, and it was possible to remove 67 borrowers from the loan security problem category. This left 239 borrowers at June 30, 1954, with loan security problems. Over 200 of these borrowers were so designated because of unsatisfactory debt service earned ratios in terms of their weighted age.

Other Program and Organizational Highlights

Streamlined loan procedure. During the fiscal year 1954 a simplified procedure was introduced for the appraisal of loan applications from specified classes of borrowers.

Generally, a loan application may be appraised under the new procedure when the applicant has a satisfactory debt service earned record, an adequate and well-maintained plant, and the amount requested does not exceed either \$500,000, or 20 percent of total advances to the borrower. It is estimated that this procedure will apply to as many as 25 to 30 percent of the applications, and will save as much as 50 percent of appraisal time per application.

Electric sales program. Except in unusual circumstances, possible reductions in expenses are not of sufficient magnitude to solve loan security problems, and an increase in power sales is often the only practical answer. Also, increased usage of equipment besides resulting in an increase in power sales means a more highly diversified load and an improved load factor, or greater KWH sales per KW of demand.

During 1954, the groundwork was laid for an electric sales program designed to stimulate manufacturing and sales organizations to direct advertising and sales efforts to the potentially huge rural market. It is hoped that, with a minimum outlay of federal funds, a hard hitting program can be initiated and sustained to promote the increased sale and beneficial use of electric power in rural areas, thus materially strengthening the financial condition of REA borrowers. It is believed that utilizing the technical, advertising, and sales know-how of the industry provides the only way that this job can be done with minimum cost to the government. The major effort of REA in this regard will be in stimulating borrowers, borrower organizations, power companies, and manufacturing and sales concerns to get together and develop sales programs aimed at rural areas.

Regrouping of activities. In a reorganization effected September 1, 1953, all electric program activities were grouped under the Assistant Administrator for the electric program. Line responsibility for contacts with electric borrowers has now been placed entirely in the area offices. The staff activities in the electric program, formerly carried on as part of the work of 6 divisions, has now been grouped in two divisions - the Electric Engineering Division and the Electric Operations and Loans Division. In the area offices, operations and loans work is now carried on in the same sections, so as to achieve a more integrated approach in both functions, more flexibility, and better utilization of personnel.

Audit of borrowers' records. During 1954, REA discontinued the program of annual audits of borrowers' accounting records. Such audits are now carried on by certified public accountants. The requirement for CPA audits was begun on a selective basis in fiscal 1948. By 1952, 261 borrowers were required to

obtain CPA audits; this number rose to 634 in 1953, and, as indicated, the requirement was applied to all borrowers in the fiscal year 1954.

Other program economies. The economies cited above, plus elimination of mapping services, the REA correspondence accounting course, and transfer of other responsibilities to borrowers during the year resulted in savings of \$1.2 million below the cost of administering the electric program in 1953.

1955 Electrification Program

REA's primary responsibility is for safeguarding the Government's security for nearly three billion dollars in loans already made. Attention must also be given to the extension of electric service to the remaining unserved areas, as well as to meeting the needs for the ever-increasing use of power on existing systems. While meeting these responsibilities further economies in the administration of the electric program are anticipated. The cost of administering the electric program is expected to drop by about \$356,000 below the 1954 level, and \$1,570,000 below the 1953 costs.

Lending and Construction

Applications on hand and rate of receipt. Electric applications on hand amounted to over \$117 million on June 30, 1954. During the fiscal year 1954 \$156 million in new applications were received. Not all of these applications make an immediate contribution to loan demand, of course, since many are withdrawn or returned to the field for reworking. Nevertheless, the figures indicate a heavy loan demand for 1955.

Loans. An estimated 8 percent of American farms were without central station electric service as of June 30, 1954. Applications for loans to provide service to these establishments involve increasing difficulties as the more sparsely settled sections are reached. Applications from the "thinner" areas require more detailed study of construction costs, probable revenues and operating costs. The problems of adequate and dependable power supply are great in sparsely settled areas where power sources are scarce and transmission distances are long.

The need for electric loans is not limited to extension of electric service to remaining unserved rural people. Increasing attention must be given to the adequacy of the facilities bringing service to about 4 million rural consumers. As demand increases on the borrowers' systems, they must increase their system capacities so as to be able to deliver the power required at acceptable voltages. This may involve installation of voltage regulators,

new substations, rephasing, heavier conductor, poles, crossarms, and hardware. Complex lending and construction plans must be worked out to assure that these system improvements are carried on in an orderly and economical way, and to assure the existence of an adequate, dependable, and economical wholesale power supply. Of the \$167,104,100 loaned in 1954, over \$38 million was for system improvements and in addition over \$31 million was for generation and transmission.

REA expects to loan about \$165,000,000 during 1955, which will provide for about 30,000 miles of distribution line and the extension of service to about 120,000 new consumers. Of the amounts to be loaned, an estimated \$48,000,000 will provide for additional generation and transmission capacity, and an estimated \$45,000,000 will be loaned for system improvements.

Construction. About 38,000 miles of distribution lines will be energized during 1955, bringing service to an estimated 150,000 new consumers. It is estimated that 4,500 miles of transmission line will be energized, and 120,000 KW of generating capacity installed. On June 30, 1954, loans had been made for about 72,000 miles of line not yet energized; loans through that date would provide service to about 258,000 consumers not then connected.

Advances. Advances of loan funds are estimated at \$160 million for the fiscal year 1955. With loans of \$165 million and rescissions estimated at \$4.1 million, unadvanced funds are expected to approximate \$443,000,000 on June 30, 1955. The amount of unadvanced loans is substantial because of the considerable time which elapses between the making of a loan and the final advance of funds when construction is completed, particularly for generation and transmission facilities and system improvements.

Loan Security Activities

Cash repayments due from borrowers will increase sharply in fiscal year 1955 and the years immediately thereafter. Interest and principal payments are usually deferred for the first five years of a loan therefore cash repayments of record amounts loaned in recent years are only now becoming due. This is illustrated in the first column of Table I. The amount of loans on which maximum debt service payments were due during the fiscal year 1954 - all having run the 5-year deferment on or before June 30, 1953 - would be about equivalent to the cumulative loans through fiscal 1948, just under \$1.4 billion. From this \$1.4 billion in 1954 the figure increases to over \$1.8 billion in 1955, to \$2.2 billion in 1956, and to \$2.7 billion in 1959. Total payments of interest and principal due from borrowers are expected to increase from about \$70 million in 1954 to about \$120 million in 1959. After that debt service

requirements will gradually increase for a period of years. Borrowers must develop to the point where they can meet these increasing debt service requirements. Primary efforts will be directed toward those borrowers, numbering 239 on June 30, 1954 who are considered to have loan security problems.

Condition of physical facilities. The need for effective technical operations and maintenance practices will increase sharply in the years immediately ahead. Borrowers have been operating plants which were substantially new, and therefore have required little maintenance to date. These plants often also had greater capacity than was currently required, built in to meet future load growth. With the loads of many borrowers approaching system capacity, skillful operation of these systems will become far more important than it has been in the past. In the fiscal year 1955, about two-thirds of the borrowers' systems will be over 5 years old and many of these facilities are approaching 10 years of age. The soundness of the physical facilities is essential to security of the Government's loan. If the farmers are to receive adequate service, and the government loan to be repaid, these systems must be adequately operated and maintained.

As a loan security measure, REA field engineers conduct a brief survey of each borrower's physical plant to ascertain its condition, and to bring possible improvements to the attention of the borrower. Poles constitute about one-fourth of borrowers investment in their total plant. REA is conducting a thorough survey of its activities in the pole inspection and maintenance field, and plans are underway to develop a more effective program with regard to this vital element of property. Staff engineers will continue to develop information for borrowers' use in important aspects of technical operations and maintenance, such as recloser maintenance, sectionalizing, system protection, and substation operation. This information will be disseminated to borrowers through fieldmen, technical training meetings, and other means.

Organizational and operational soundness of borrowers. Comprehensive management plans are being developed with each of the 239 loan security problem borrowers, fitted to each particular situation. In developing such plans, the entire range of borrower operations must be considered in an effort to place the borrowers on a sound basis. This includes evaluation of the borrower's organization, business operating procedures, technical operations, wholesale power supply, adequacy of rates, load growth, and all other factors having a bearing on the financial soundness of the borrowers.

Increased borrower revenue. To continue improvement in borrowers' financial condition, greater emphasis is being placed on the electric sales program begun in 1954. The interest already demonstrated by manufacturing and sales organizations, REA borrowers, and other power suppliers indicates strong possibilities of achieving substantial results from this program with a moderate outlay of government funds.

Other Program and Organizational Highlights

Forecast of future loan needs and consumption growth. The job ahead is becoming increasingly one of keeping the systems adequate to meet the ever increasing power demands. REA is conducting a thorough study during 1955 of the outlook for load growth of borrowers to determine power demand. This information will be assessed in terms of existing distribution plant and existing power supplies in the area. It will furnish a much better basis for forecasting future loan needs, and foreseeing impending power supply problems before they develop to the crisis stage.

Power supply. Inadequacy of wholesale power supply continues as a major problem in certain sections of the country. The solutions to these problems may involve new wholesale power contracts, integration of existing REA financed power facilities with other facilities in the area, or generation and transmission by REA borrowers.

Nuclear power now appears as a definite possibility in the rural electrification field. REA has assigned personnel to keep apprised of developments in the nuclear power field, and to continue its efforts toward keeping abreast of the power supply situation in total.

The cumulative figures presented in the following tables show the progress of the rural electrification program since its inception in May 1935:

LOANS

Table No. I

Date		Total Net Loans All Purposes	Miles constructed (Loan Estimate)	Consumers served (Loan Estimate)
June 30, 1936	.....	\$ 13,903,412	13,072	48,997
June 30, 1937	.....	58,936,217	54,407	193,529
June 30, 1938	.....	88,172,436	80,951	282,802
June 30, 1939	.....	227,236,949	209,818	724,999
June 30, 1940	.....	268,972,949	251,642	854,828
June 30, 1941	.....	369,027,621	356,053	1,171,867
June 30, 1942	.....	460,180,345	409,490	1,345,107
June 30, 1943	.....	466,881,323	414,287	1,358,114
June 30, 1944	.....	498,811,447	448,889	1,438,567
June 30, 1945	.....	524,542,502	471,351	1,495,233
June 30, 1946	.....	813,914,990	672,667	2,080,167
June 30, 1947	.....	1,068,436,162	811,019	2,484,503
June 30, 1948	.....	1,381,459,261	931,467	2,847,991
June 30, 1949	.....	1,830,318,858	1,097,705	3,352,603
June 30, 1950	.....	2,205,470,314	1,214,702	3,688,969
June 30, 1951	.....	2,427,204,114	1,286,127	3,896,824
June 30, 1952	.....	2,592,629,925	1,317,279	4,034,334
June 30, 1953	.....	2,730,009,085	1,351,297	4,195,732
June 30, 1954	.....	2,885,932,099	1,387,441	4,367,045
June 30, 1955 (est.)	.....	3,046,832,099	1,417,441	4,487,045
June 30, 1956 (est.)	.....	3,227,832,099	1,451,441	4,621,045

CONSTRUCTION

Table No. II

Date	Funds Advanced	Miles Energized	Consumers Connected	Total kWh Billed (Annual)
June 30, 1936	\$ 823,262	400	693	a/
June 30, 1937	11,864,836	8,000	19,611	a/
June 30, 1938	60,040,810	41,736	104,528	a/
June 30, 1939	122,337,824	115,230	268,000	a/
June 30, 1940	221,287,287	232,978	549,604	311,479,000
June 30, 1941	296,395,142	307,769	779,561	566,422,777
June 30, 1942	354,616,010	369,129	981,193	893,461,286
June 30, 1943	369,152,582	381,747	1,041,821	1,460,460,571
June 30, 1944	387,630,670	397,861	1,152,031	1,791,607,706
June 30, 1945	427,366,738	424,072	1,287,347	2,066,121,706
June 30, 1946	514,619,844	474,837	1,549,057	2,185,149,697
June 30, 1947	704,705,701	546,781	1,843,351	2,861,024,042
June 30, 1948	950,941,658	666,156	2,263,869	4,016,273,673
June 30, 1949	1,272,228,526	839,685	2,778,180	5,474,001,598
June 30, 1950	1,558,887,178	1,018,336	3,251,787	6,973,694,936
June 30, 1951	1,827,017,836	1,134,498	3,547,323	8,737,816,038
June 30, 1952	2,054,591,865	1,210,473	3,769,426	10,603,286,075
June 30, 1953	2,262,225,801	1,271,443	3,951,940	12,560,298,086
June 30, 1954	2,443,754,333	1,315,630	4,209,223	14,947,103,217
June 30, 1955 (est.)	2,603,754,333	1,353,630	4,259,223	15,700,000,000
June 30, 1956 (est.)	2,763,754,333	1,367,630	4,394,223	17,000,000,000

a/ Not available.

1954 Telephone Program

During the fiscal year 1954, lending and construction activities proceeded at record levels. The amounts loaned, lines completed, and subscribers served during 1954 were the highest for any year in the program to date. Meanwhile, progress was made in the loan security field, and organizational and procedural improvements were placed in effect. The major achievements during the year are highlighted below.

Lending Activities

Loans. During 1954, 150 loans amounting to \$74,712,000 were made, including loans to 60 new borrowers. This amount is about two-thirds of the total amount loaned in the first four years of the program. Net loans to date now amount to \$184,578,542, and will provide new or improved service to an estimated 410,000 rural subscribers, on an estimated 125,000 miles of line.

Applications. Applications continued to come in at a high rate during the year; 148 applications in the amount of \$67,816,016 were received. These were in addition to slightly over \$112 million in applications on hand at the beginning of the fiscal year.

Construction Activities

Construction progress. During the year, 16,996 miles of new line were completed, and 1,167 miles of existing line rebuilt, for a total of 18,163 miles completed. On June 30, 1954, contracts and force account proposals had been approved for construction of over 21,000 additional miles. The 18,163 miles completed during 1954 compares with 8,378 miles completed in the first 4 years of the program. The construction completed during 1954 brought new service to about 34,000 rural subscribers, and improved the service of an additional 26,000 subscribers.

Advance of funds. Funds advanced during 1954 amounted to \$28,440,126, an increase of 20 percent over the 1953 rate. Total advances through 1954 amounted to \$60,102,148, and advances were authorized for over \$64 million in addition. The consolidation of the requisition and expenditure reports during the fiscal year 1954 materially reduced the amount of paper work involved, and expedited the processing of requisitions.

Expedition of construction. Private engineering firms available to provide services to rural telephone systems by contract were largely non-existent prior to the advent of the REA telephone program. Many delays and difficulties in borrowers' construction stem from this fact. Consequently, REA continued

its efforts during 1954 toward stimulating interest on the part of engineering firms to enter the rural telephone field. Various training sessions and meetings were held during the fiscal year, attended by REA, borrower and engineering firm personnel to acquaint all concerned with REA policies and requirements, and to be sure that engineering firms were fully informed as to what was expected of them.

These efforts, coupled with increased experience, led to considerable improvement in the quality of the work of the engineering firms this past year. Other factors have also contributed to the increased pace of construction - the standardization work of REA staff engineers, and the growing realization on the part of the equipment manufacturers that rural telephone systems constitute a sizeable market. Until recently, manufacturers were quoting delivery of central office equipment in about one year, and were actually running closer to 18 months. By the end of fiscal year 1954, quotations were down to about eight months.

The revision of the preloan procedure, as discussed below, should expedite construction in 1955 and later years. In connection with this revision, a complete review of all engineering instructions was undertaken during the year. Many requirements were eliminated, and others simplified. This, too, should considerably expedite construction in 1955.

The Telephone Engineering and Construction Manual, containing technical information and instructions for the guidance and instruction of REA and borrower personnel, was revised and expanded.

New developments in design and construction. One of the most promising possibilities for rendering more economical telephone service to sparsely settled areas involves the use of subscriber carrier. One modification of this technique, which grew out of a research contract let in a prior year, would provide for 3 carrier channels on a physical conductor. These channels would be at different frequencies, and would accommodate up to 8 parties each. This provides a great possibility for savings on conductor in reaching isolated groups of subscribers, especially so since it can be combined with a radio-telephone link. REA has financed 2 test installations at small cost, and the results have been very encouraging; one loan has already been made based substantially on subscriber carrier, and the outlook is good for increased utilization in 1955 of this development.

Also related to the problem of reaching isolated groups of subscribers is the matter of the investment in small central offices. Many such groups can best be served through a

small automatic central office located in their area. The problem is that there is a practical minimum cost on such equipment as now designed of roughly \$10,000. Equipment with capacity to serve as few as 10 subscribers would probably cost about that, while equipment to serve 50 subscribers would cost very little more. This means that the cost per subscriber on a small unit is prohibitive. Two manufacturers have begun development along lines which, it is hoped, will yield a smaller board at a proportionally smaller price. If successful, this would mean that many isolated groups of subscribers would receive good service at a much smaller cost than is presently possible.

Telephone cables on poles until now have not been self supporting, but were lashed to a steel cable called the messenger strand. REA encouraged manufacturers to undertake development of a self supporting cable, eliminating the messenger strand, which will result in a considerable savings in material and labor costs.

Loan Security Activities

Loan repayments. As of June 30, 1954, total amounts due from borrowers amounted to \$1,584,222 and as of that date \$1,208,139 had been repaid. Advance payments amounted to \$6,862 and \$376,083 was overdue more than 30 days. Among the factors accounting for this overdue amount was the fact that the deferment period formerly accorded to telephone borrowers was only 2 years. Furthermore, the entire amount of the loan was immediately placed under note when the loan was executed, instead of being placed under note periodically, as the funds were needed. Construction delays, especially the long delays in delivery of central office equipment, therefore produced a situation wherein borrowers were billed before their systems were completed. The deferment period was extended to 3 years, and amounts are now placed under note to cover only cash needs during the ensuing 6 months or so, which should materially improve this situation. Further activities with regard to these borrowers are discussed below.

Borrowers in operation. The bulk of telephone borrowers face operating problems immediately after the loan is made, since they are either operating existing facilities or they acquire facilities quite soon after the loan. In addition, ground-work must be laid to provide an adequate operating staff for the system to be developed with the loan which may involve existing, acquired, or new facilities, or a combination of the three. Operations work was carried on with 279 borrowers during the fiscal year 1954, as compared with 219 the year before. The number of borrowers who had cut over REA financed facilities rose from 42 on June 30, 1953 to 95 on June 30, 1954.

Attention to loan security problems. Attention was devoted during the year to programs to improve the loan security position of telephone borrowers in general. The new loan procedures, discussed more fully below, will provide for much more accurate data on which to base operations planning, set rates, estimate toll revenues, etc. The Telephone Operations Manual was expanded and improved. Borrowers were encouraged to take the initiative in organizing operations training sessions, with minimum advisory assistance from REA specialists.

REA personnel also worked with individual borrowers who are in financial difficulties, covering some of their more critical operations problems such as rates, office procedures, personnel, operations budgeting, etc. In some cases, REA advised borrowers in the negotiation of more favorable connecting company agreements, whereby the borrowers were enabled to retain more of their toll receipts and pay less for such things as operator assistance service. REA also worked with borrowers in planning the publication of directories, so that the borrowers could retain the bulk of the advertising revenue. This is, from REA's viewpoint, a "one-time" operation. When once carried out, the job does not have to be repeated. Nonetheless, directory publication will continue to pay off in improved borrower financial condition over the years. Beyond cutting costs, borrowers are encouraged to extend service as rapidly as possible, thus realizing their full revenue potential. Work with individual borrowers is carried out on a highly selective basis of need.

Other Program and Organizational Highlights

New pre-loan procedure. The pre-loan procedure was revised late in the fiscal year 1954. The area coverage survey and area coverage design must both now be completed by the borrower's engineer before the loan is made. Previously, the survey had been performed by the applicant before the loan, and the design was prepared by the engineer after loan approval, but before the first advance of funds. The survey, not being professionally prepared, often had serious shortcomings. The system design would often result in higher costs than those upon which the loan amount, planned rates, and feasibility had been based. The result was considerable delay, uncertainty, and costly duplication of effort, which it is believed will be corrected under the new procedure. It will provide for a professionally conducted area coverage survey, to provide sounder basic information upon which to base design, specifications, costs, rates, and feasibility. Since the survey and design are completed before the

loan is made, the time required for completion of construction will be shortened. The borrowers overall pre-construction costs will be reduced, since duplication of effort in the preparation of the area coverage survey and area coverage design will be eliminated. From the loan security standpoint, the new procedure will provide a much sounder basis for making the feasibility determination.

Relations with the telephone industry. REA and its borrowers have close and friendly relations with the Bell companies and the larger independents operating in rural areas. Agreements must be made with neighboring companies regarding tolls, operator assistance, extended area service, service areas, etc. Unless such agreements can be favorably worked out, release of funds may be held up, and construction delayed. During the past year, REA developed with some of the Bell companies and the larger independents mutually acceptable standard contracts covering tolls, operator assistance, and extended area service. This should greatly expedite the completion of construction for borrowers operating in the areas covered by these standard contracts.

A generally more favorable attitude on the part of the larger independents is also evidenced by the fact that they are showing more interest in REA financing. Many of these companies have a large funded debt, which makes it difficult to loan to them because of the 40 percent limitation on refinancing in the Rural Electrification Act and the requirement for a first mortgage. Recently, however, some of these companies have formed debt-free subsidiaries, covering rural territory, to qualify for loans under the Act. This development encourages existing companies to do the job. It brings qualified, experienced organizations, with the nucleus of a system for serving an area, into the program. This arrangement also makes it possible to retain a high percentage of existing plant and to use REA loan funds to the maximum for new construction, rather than for refinancing and acquisitions.

Reorganization and program economies. During the fiscal year 1954, telephone program activities which had previously been carried out in 7 divisions were grouped into 2 divisions under an Assistant Administrator for the Telephone Program. All telephone borrowers who have completed major construction are required to have their operating records audited annually by CPA's. Through economies such as these, coupled with increased REA and borrower experience, it was possible to carry on a greatly expanded program with a far less than proportionate increase in staff.

1955 Telephone Program

Lending Activities

Loans. It is expected that loans will total about \$75 million for the fiscal year 1955, substantially the same as that achieved in 1954. It is estimated that these loans will provide for extending service to about 85,000 presently unserved rural people, and improving the service of about 73,000 existing subscribers through the improvement of about 2,000 miles of line and construction of about 48,000 miles of new line. Cumulative loans through 1955 will provide new or improved service to about 569,000 subscribers.

Construction Activities

Construction completed and subscribers served. Construction activity will sharply increase above the high 1954 level. It is estimated that 70 borrowers will cut over their exchanges in 1955, bringing total exchange cutovers to 165; that 29,000 miles of new lines will be built, bringing the cumulative total to 54,000 miles of new line; that 2,500 miles of line will be rebuilt, bringing the total to 4,000 miles; and that 49,000 subscribers will get new service and 40,000 will get improved service during the year. It is estimated that by the end of 1955, about 174,000 rural subscribers will have received new or improved service through rural telephone loans.

Advance of funds. Advances are estimated at \$50 million in 1955, nearly double the 1954 rate.

Expedition of construction and new developments. The requirement for completion of the area coverage design prior to the granting of a loan should speed up the construction rate in 1955. The benefits of the thorough revision of engineering procedures undertaken late in 1954 will also be realized in 1955.

It is anticipated that during 1955, manufacturers will begin shelf stocking of components for REA financed central offices. Manufacturers are steadily gaining more knowledge of the basic types of equipment needed and are becoming impressed with the fact that rural telephone systems constitute a sizeable market. Shelf stocking of basic components, when it comes, will mean a much shortened delivery period - perhaps as short as 3 months - compared to as long as 18 months in the past.

During 1955, private manufacturers will be encouraged to develop and manufacture self supporting cable, economical small central offices, and various components necessary to adapt subscriber carrier to electric power lines - coupling capacitors, cables, etc. System components already developed for subscriber carriers on telephone lines are expected to increase the use of subscriber carrier using telephone lines as transmission media in the design and construction of telephone facilities in 1955.

Loan Security Activities

Debt service payments. The number of borrowers receiving advances will increase from 186 in 1954 to an estimated 260 in 1955. The cumulative amounts advanced will rise to about \$110 million by the end of the year, and the cumulative amounts due will rise from \$1.6 million on June 30, 1954, to about \$2.6 million on June 30, 1955.

Work with borrowers. The number of borrowers with REA financed facilities cut over will rise from 95 on June 30, 1954 to an estimated 165 on June 30, 1955. The total number of borrowers, all requiring some loan security work, will rise from 279, on June 30, 1954 to an estimated 375 a year later. Many of these borrowers have not yet achieved financial stability, they lack experience in the telephone field or with the operation of modern telephone equipment, and have difficulty due to location and revenue potential, in securing the best managerial talent. The amount and nature of these problems were not fully anticipated by REA in previous years. As a consequence, the staff available has been unable to devote as much attention to these problems as needed in the interest of loan security. REA will work with borrowers to enable them to secure and develop the best management available. Borrowers will be encouraged to cooperate in setting up group training sessions, for which REA will furnish training aids and specialized advice. Although the possibilities for increased revenue are not as great as in the electric program, borrowers will be advised on means by which they can quickly develop toward their maximum revenue point. Concentrated attention will be devoted to those borrowers which are delinquent or experiencing an adverse trend to enable them to realize the maximum economies in their operations.

The cumulative figures presented in the following table show the progress of the rural telephone program since its inception in October 1949:

Table No. III

	End of Fiscal Year					
	Actual			Estimate		
	1951	1952	1953	1954	1955	1956
Net loans	\$ 41,255,000.	\$ 82,260,718.	\$ 118,144,218.	\$ 184,578,542.	\$ 257,578,542.	\$ 337,578,542
Number of borrowers	113	190	219	279	375	500
Advances	155,868	7,797,217	31,662,021	60,102,148	110,102,148	175,102,148
Loan Estimate						
Miles of pole line to						
be improved	4,741	6,471	7,401	8,098	10,000	13,000
Miles of pole line to						
be constructed.....	36,547	66,092	80,936	117,478	166,000	216,000
Subscribers service to						
be improved	75,275	115,219	139,773	191,012	264,000	341,000
New subscribers to be						
connected	80,541	135,831	162,824	219,645	305,000	396,000
Construction						
Miles of pole line						
improved						
Miles of new pole line						
constructed						
Subscribers service						
improved						
New subscribers						
connected						

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	:	Obligations	:	Estimated obligations	:	Estimated obligations
	:	1954	:	1955	:	1956
Obligations Under Reimbursements	:		:		:	
From Governmental and Other	:		:		:	
Sources:	:		:		:	
Salaries and expenses	:	\$2,841	:	- -	:	- -

FARMERS' HOME ADMINISTRATION

Purpose Statement

The Farmers' Home Administration, established on November 1, 1946 pursuant to the Farmers' Home Administration Act of 1946, approved August 14, 1946, conducts the following activities:

1. Make direct and insured farm ownership loans to farm tenants, farm laborers, sharecroppers and other individuals for the purchase, enlargement or development, including farm housing and other building construction, of family-type farms. Direct loans at $4\frac{1}{2}$ percent interest amortized over 40 years, are made in amounts up to the normal value of a farm as improved based on longterm earning capacity values. Loans for the same purposes advanced by private lenders to eligible applicants are insured in amounts up to 90 percent of the normal value of the farm and necessary improvements for periods up to 40 years at $3\frac{1}{2}$ percent interest, plus one-half of 1 percent as an insurance premium and one-half of 1 percent toward administrative expenses. The Administration services the insured loans, and remits payments to the lenders.
2. Make production and subsistence loans to farmers and stockmen for farm operating expenses and for other farm needs, including the refinancing of indebtedness, and family subsistence. Loans are made up to \$7,000 for 1 to 7 years at 5 percent interest with a limit of \$10,000 on the total indebtedness of any farmer.
3. Make direct and insured soil and water conservation loans for the effective development and utilization of water supplies and for the improvement of farm land by soil and water conserving facilities and practices. Direct loans are made to farmers and associations at $4\frac{1}{2}$ percent interest for periods up to 20 years for individuals and 40 years for associations. Loans advanced by private lenders for the same periods of time and for the same purposes are insured at $3\frac{1}{2}$ percent interest, plus one-half of 1 percent as an insurance premium and one-half of 1 percent toward administrative expenses.
4. Make emergency loans to farmers and stockmen in designated areas where a disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, the Farmers' Home Administration's regular loan programs, or other responsible sources. Production disaster and economic disaster loans are made at 3 percent interest for periods consistent with the ability of the borrower to repay, usually for one year. Special loans to established livestock producers are made at 5 percent interest for periods not exceeding three years. Loans may also be made at 5 percent interest to bona fide fur farmers but only for supplemental credit to those already for indebted for prior loans.

Technical guidance in planning and carrying out sound farm operations is provided borrowers on the basis of their individual problems and needs, No loans are made to anyone who can secure adequate credit from other sources at reasonable rates. A local county committee of 3 (2 of whom must be farmers) is required to approve each applicant and each loan. In the case of farm ownership loans, this committee certifies to the normal longtime earning capacity value of the farm.

On July 1, 1954, the Administration was servicing the accounts of about 324,000 individual borrowers with outstanding indebtedness of \$348,000,000 principal and interest.

The Farmers' Home Administration maintains its central office in Washington with program activities decentralized to 41 State Offices (a few of which service two or more states), about 1,500 county offices serving all agricultural counties, and a National Finance Office in St. Louis, Missouri. The Farmers' Home Administration on November 30, 1954 had 5,006 full-time employees, 196 of whom are in Washington, and the balance in the field, and 9,198 State and county committeemen who are part-time employees paid an average of 8 to 10 days a year.

	Estimated Available, 1955 -----	Budget Estimates, 1956 -----
Borrowing Authorizations:		
Farm ownership	\$19,000,000	\$13,000,000
Production and subsistence	122,500,000	122,500,000
Soil and water conservation	11,500,000	11,500,000
Appropriated funds:		
Salaries and expenses	23,550,000	24,500,000
Total	<u>176,550,000</u> -----	<u>171,500,000</u> -----

(a) Loan Authorizations
(Authorization to borrow from Treasury)

Appropriation Act, 1955	\$148,000,000
Supplemental borrowing authorization for 1955 (Supplemental Appropriation Act, 1955)	5,000,000
Base for 1956	<u>153,000,000</u>
Budget Estimate, 1956	<u>147,000,000</u>
Decrease (due to anticipated availability of insured loans from private lenders for farm ownership loans)	<u>-6,000,000</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	Decrease	1956 (estimated)
<u>Loan Authorization</u>				
1. Farm ownership loans .	19,538,666	19,000,000	-6,000,000(1)	13,000,000
2. Farm housing loans	a/15,950,000	b/ - -	- -	- -
3. Production and subsistence loans	139,996,321	122,500,000	- -	122,500,000
4. Water facilities loans	6,499,966	- -	- -	- -
5. Soil and water conservation loans	- -	11,500,000	- -	11,500,000
Unobligated balance	15,047	- -	- -	- -
	a/	b/		
Total appropriation or estimate	182,000,000	153,000,000	-6,000,000	147,000,000

a/ In addition, unobligated balance of 179,161 available from prior year balance.

b/ In addition, unobligated balance of 61,227 available from prior year balance.

DECREASE

(1) Decrease of 6,000,000 in borrowing authorization for farm ownership loans due to the anticipated availability of insured loan funds from private lenders. Public Law 521, approved July 22, 1954, amended the Bankhead-Jones Farm Tenant Act by authorizing an interest rate on insured loans of not to exceed 4 percent and on direct loans of not to exceed 5 percent. An additional 1 percent insurance and administrative expense charge is made on insured loans. The interest rate was raised from 4 to 4 1/2 percent on direct loans, and from 3 to 3 1/2 percent on insured loans effective September 17, 1954. The increase in interest rates will undoubtedly result in ample insured loan funds in most sections of the United States and Territories, thereby permitting a reduction of 6,000,000 in direct loan funds.

A substantial need will continue to exist for direct loan funds since many applicants, both veteran and non-veteran, are unable to meet the 10 percent

down payment required for insured loans. This applies particularly to loans for the purchase of farms rather than for enlargement and development loans to individuals having equities in their farms.

Total estimated direct and insured loans for farm ownership, and soil and water conservation are as follows (in millions):

	<u>F.Y. 1954</u>	<u>F.Y. 1955</u> <u>(estimated)</u>	<u>F.Y. 1956</u> <u>(estimated)</u>	<u>F.Y. 1956</u> <u>Compared</u> <u>with 1955</u>
Farm ownership:				
Direct	\$19.5	\$19.0	\$13.0	-6.0
Insured	9.5	24.0	45.0	+21.0
Total	<u>29.0</u>	<u>43.0</u>	<u>58.0</u>	<u>+15.0</u>
Soil and water conservation:				
Direct	6.5	11.5	11.5	- -
Insured	- -	8.5	25.0	+16.5
Total	<u>6.5</u>	<u>20.0</u>	<u>36.5</u>	<u>+16.5</u>

CHANGES IN LANGUAGE

The estimates include proposed changes in language as follows (new language underscored; deleted matter enclosed with brackets):

- 1 [To carry into effect the provisions of titles I, II, and the related provisions of title IV of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1000-1031); the Farmers' Home Administration Act of 1946 (7 U.S.C. 1001, note; 31 U.S.C. 82h; 12 U.S.C. 371; 35 D.C. Code 535; 60 Stat. 1062-1080); the Act of July 30, 1946 (40 U.S.C. 436-439); the Act of August 28, 1937, as amended (16 U.S.C. 590r-590x, 590z-5), for the development of facilities for water storage and utilization in the arid and semiarid areas of the United States; the provisions of title V of the Housing Act of 1949 (42 U.S.C. 1471-1483), as amended by the Housing Act of 1952 (Public Law 531, approved July 14, 1952), relating to financial assistance for farm housing; the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444); the items "Loans to farmers, 1948 flood damage" in the Act of June 25, 1948 (62 Stat. 1038), and "Loans to farmers, property damage" in the Act of May 24, 1949 (63 Stat. 82); the collecting and servicing of credit sales and development accounts in water conservation and utilization projects (53 Stat. 685, 719), as amended and supplemented (16 U.S.C. 590y, z1 and z10); and the Act to direct the Secretary of Agriculture to convey certain mineral interests, approved September 6, 1950 (7 U.S.C. 1033-1039), as follows:]

LOAN AUTHORIZATIONS

- 2 For loans (including payments in lieu of taxes [and], taxes, and advances under section [50] 51 of the Bankhead-Jones Farm Tenant Act, as amended, and similar advances [incident to the acquisition and preservation of security of obligations] under [the foregoing

- 3 several authorities] the Act of August 11, 1939, as amended,
16 U.S.C. 590y, z1-z10) as follows: Title I and section 43 of
title IV of the Bankhead-Jones Farm Tenant Act, as amended
4 [, \$19,000,000] (7 U.S.C. 1001-1031), \$13,000,000, * * *; the
5 Act of August 28, 1937, as amended [,\$6,500,000] (16 U.S.C. 520r-x),
\$11,500,000; * * *
- 6 [For loans under the Act of August 28, 1937, as amended, \$5,000,000:
Provided, That not to exceed the foregoing amount shall be borrowed
from the Secretary of the Treasury in the manner authorized under
this head in the Department of Agriculture and Farm Credit Admin-
istration Appropriation Act, 1955: Provided further, That this
authorization shall be effective only upon enactment into law of
either H.R. 8386 or S. 3137, Eighty-third Congress.]

The first change proposes deletion of the "preamble" containing detailed reference to the various statutes which the Farmers' Home Administration administers. This preamble is unnecessary and its deletion is proposed in the interest of shortening and simplifying the wording of the item. This change will not affect the nature and scope of the work in any way.

The second change is for the purpose of revising the parenthetical phrase in the "Loan Authorization" paragraph to make reference to Section 51 of the Bankhead-Jones Farm Tenant Act, as amended by Public Law 521, approved July 22, 1954. This section authorizes the Secretary to make advances to preserve and protect the security for loans or other indebtedness owed the Government pursuant to the Bankhead-Jones Farm Tenant Act and other Acts administered by the Farmers' Home Administration.

The third change proposes to insert the citation to 16 U.S.C. 590y, z1-z10 in order to specifically authorize the use of loan funds for advances to protect the security for loans or other indebtedness owed the Government in connection with credit sales and development accounts in water conservation and utilization projects. The work of collecting and servicing accounts arising out of these projects has been transferred to the Farmers' Home Administration from the Soil Conservation Service.

The fourth change is for the purpose of inserting the citation to substantive legislation for Title I loans which was formerly included in the preamble language.

The fifth change is for the purpose of inserting the citation to substantive legislation for soil and water conservation loans. Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, provides for extending the water facilities loan program to the entire nation, contains a new provision of loans for soil conservation purposes, and increases the limit on the size of loans to incorporated associations from \$100,000 to \$250,000.

The sixth change proposes deletion of the non-recurring language included in the Supplemental Appropriation Act, 1955 which provided a supplemental authorization in the amount of \$5,000,000 for additional water facility and soil conservation loans.

(b) Salaries and Expenses

Appropriation Act, 1955	\$23,550,000
Transfer from Farm Tenant-Mortgage Insurance Fund	310,000
Base for 1956	<u>23,860,000</u>
Budget Estimate, 1956:	
Direct appropriation	\$24,500,000
Transfer from Farm Tenant-Mortgage Insurance Fund	<u>420,000</u>
Total available, 1956	24,920,000
Increase	<u>+1,060,000</u>

SUMMARY OF INCREASES, 1956

For making and servicing insured farm ownership loans	+650,000
For making and servicing additional insured soil and water conservation loans	+300,000
Increase in transfer from Farm Tenant-Mortgage Insurance Fund in connection with making and servicing insured loans	+110,000

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase	1956 (estimated)
Administration of loan, grant, and insured mortgage programs	\$26,672,246	\$23,860,000	+ 1,060,000(1)	\$24,920,000
Unobligated balance	324,754	--	--	--
Total available	26,997,000	23,860,000	+1,060,000	24,920,000
Transferred from "Farm Tenant-Mortgage Insurance Fund"	260,000	310,000	+110,000	420,000
Subtotal	26,737,000	23,550,000	+950,000	24,500,000
Transferred to:				
"Salaries and expenses, Federal Extension Service"	833,000	--		
"Salaries and expenses, Foreign Agricultural Service"	30,000	--		
Total appropriation or estimate	27,600,000	23,550,000		

INCREASES

(1) The increase of \$1,060,000 for Salaries and Expenses is composed of:

(a) \$650,000 for making and servicing additional insured farm ownership loans,

(b) \$300,000 for making and servicing additional insured soil and water conservation loans, and

(c) \$110,000 from receipts of the Farm Tenant-Mortgage Insurance Fund available for making and servicing both types of insured loans.

Amendments to the Bankhead-Jones Farm Tenant Act enacted during the 83rd Congress, 2nd Session (Public Law 521, approved July 22, 1954), permitted an increase in the interest rate on farm ownership insured loans from 3 percent net to the lender to not to exceed 4 percent. Pursuant to this authority, the interest rate has been raised from 3 to 3 1/2 percent, with the borrower paying an additional 1 percent to the Government for insurance charges and administrative expenses. This increased interest rate is attracting private capital to a point where adequate insured loan funds undoubtedly will be available for insuring loans estimated at \$45,000,000 in 1956. This amount represents an increase of \$21,000,000 and about 2,645 initial loans over the total of \$24,000,000 and 2,854 loans estimated to be insured during 1955. Considering the reduced amount of \$6,000,000 available for direct farm ownership loans for 1956, the net increase in the number of initial farm ownership loans for 1956 is about 2,045.

Amendments to the Water Facilities Act of 1937 enacted during the 83rd Congress, 2nd Session (Public Law 597, approved August 17, 1954), extended the loan program to the entire United States and Territories, permitted an increase in the size of loans to incorporated associations from \$100,000 to \$250,000, and authorized the insuring of loans advanced by private lenders. Prior to these amendments only direct loans were authorized. In addition, the Act was amended to permit the making of direct and insured loans for soil conservation purposes, as well as for water facilities purposes. A limitation of not to exceed \$25,000,000 was placed on the amount of loans insured each fiscal year. Loans now being made under this authority are identified as "soil and water conservation loans." As in the case of farm ownership insured loans, the interest rate to lenders has been set at 3 1/2 percent net, with an additional 1 percent charge to the borrower available to the Government for insurance charges and administrative expenses. Experience thus far indicates that ample loan funds will be available from private lenders to utilize the entire \$25,000,000 insurance authority during fiscal year 1956.

Procedures for the making and servicing of farm ownership and soil and water conservation insured loans have been greatly simplified during 1955 to a point where much prompter service can be given to loan applicants without the loss of any of the safeguards heretofore established for assuring the soundness of the loans. It is estimated that during the

fiscal year 1955 a total of \$8,500,000 in soil and water conservation loans will be insured, and that in 1956, this volume will be increased by \$16,500,000 to a total of \$25,000,000. This represents an increase of 4,870 initial loans to individuals and 20 loans to associations in 1956 over 1955.

To make and service the increased volume of both types of insured loans, it will be necessary to employ a few additional State Office specialists, engineers, and clerks. It is estimated that the entire increase in State Offices will not exceed 20 positions at a net total in personal services and related expenses during 1956 of about \$80,000. The balance of \$980,000 will be utilized in County Offices and for additional County Committee expense. County office personnel, particularly county supervisor-appraisers, assistant county supervisors, and assistant county office clerks will be necessary to supplement the existing staffs in those County Offices where the present workload is too large to permit the absorption of an added workload. A few additional County Offices will be opened in order to reduce the number of counties now assigned to some county unit offices. The Farmers' Home Administration in recent years has reduced its State and County Office personnel to a point where little additional work can be absorbed within the existing number of personnel. Undoubtedly, farm ownership and soil and water conservation loan activity will be very heavy in some areas. This will be particularly true with respect to loans for water facilities which will prove attractive to many farmers who have felt the effects of the prolonged drought conditions. At the present time, a large volume of applications for both farm ownership and soil and water conservation insured loans is being received. The unusually large number of applications and inquiries from farmers and others has placed a heavy burden on the time of employees in many offices. Workloads in many of the existing offices are already so large that any substantial additional activity can be taken on only if additional personnel are employed. In other offices some absorption will be possible within the existing personnel. The increase of \$1,060,000 is predicated on absorption of a substantial portion of the computed cost of processing the new loans. One of the principal factors placing a burden on the time of county office employees is the number of counties many county offices are required to service. During fiscal year 1955, 875 of the approximately 1,500 county offices are servicing more than one county, 392 are servicing three or more counties.

Considering the number of loans estimated to be outstanding on July 1, 1955, and the total number of new loans of all kinds to be made during the fiscal year 1956, the workload per county supervisor in 1956 will be substantially the same as in 1955, after considering the increased number of personnel to be employed with these funds. The principal amount of direct and insured loans of all types outstanding on July 1, 1955 is estimated at about \$914,000,000. This is an increase of \$66,000,000 in the amount outstanding as of July 1, 1954.

CHANGES IN LANGUAGE

The estimates include proposed changes in language as follows (new language underscored; deleted matter enclosed with brackets):

SALARIES AND EXPENSES

- 1 For making, servicing, and collecting /loans/ direct and insured
- 2 /mortgages, the servicing and collecting of loans made under prior
- 3 authority, /loans, and the liquidation of assets, administered by or
- 4 transferred to Farmers' Home Administration, and other administrative
- 5 expenses, /\$23,550,000/ \$24,500,000, together with a transfer of not
- 6 to exceed /\$400,000/ \$500,000 of the fees and administrative expense
- 7 charges made available by subsections (d) and (e) of section 12 of
- 8 the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1005(b)),
- 9 and section 10(c) of the Act of August 28, 1937, as amended,

The first and second changes are proposed for the purpose of providing a more current and simplified description of the activities conducted under the appropriation item by making specific reference to the direct as well as the insured loan activities. These changes will in no way affect the nature and scope of the work conducted.

The third change proposes insertion of the words "administered by or" with respect to the liquidation of assets. This change is for the purpose of making clear that the appropriation would be available for the liquidation of any program assets which the Secretary may assign to the Farmers' Home Administration rather than requiring that such assets actually be transferred to the Administration.

The fourth change proposes to increase from \$400,000 to \$500,000 the amount authorized to be transferred to this appropriation from the "Farm Tenant-Mortgage Insurance Administrative Fund." Receipts to this fund in 1955 available for administrative expense in 1956, are estimated at about \$420,000, but the amount of \$500,000 has been included in the language to provide for possible increased activity beyond present estimates with resulting increased receipts to the Fund. In such event, administrative expense requirements to service the added loans would necessarily increase.

The fifth change is proposed for the purpose of including the U. S. Code citation to section 12 of the Bankhead-Jones Farm Tenant Act, as amended, as well as reference to section 10(c) of the Act of August 28, 1937, as amended. The latter reference is necessary because a portion of the amount of \$500,000 will be derived from insurance charges on soil and water conservation insured loans authorized by the Act of August 28, 1937, as amended by the Act of August 17, 1954, Public Law 597.

(c) Grants

PROJECT STATEMENT

Project	1954	1955 (estimated)	1956 (estimated)
Unobligated balance brought forward	\$122,252	\$500	-- --
Recovery of prior year obligations	500	-- --	-- --
Unobligated balance carried forward	-500	-- --	-- --
Transferred to:			
"Foot-and-mouth and other contagious diseases of animals and poultry, Agricultural Research Service"	-122,252	-500	-- --
Total appropriation or estimate	-- --	-- --	-- --

Pursuant to section 504(a) of the Housing Act of 1949, the 1951 Agricultural Appropriation Act provided an appropriation of \$400,000, to remain available until expended, for making grants to farm owners to make dwellings and other farm buildings safe and sanitary. No such grants have been made since 1953. The balances available in fiscal years 1954 and 1955 were transferred to the item "Foot-and-mouth and other contagious diseases of animals and poultry, Agricultural Research Service," pursuant to provisions in the annual appropriation acts.



STATUS OF PROGRAM

Direct and Insured Farm Ownership Loans and Farm Housing Loans and Grants

A total of \$35,500,000 was authorized in 1954 for farm ownership and farm housing loans. Of this amount, \$19,550,000 was allocated for farm ownership loans and \$15,950,000 for farm housing loans. There was also available in 1954 for farm housing loans \$179,161 unobligated from prior year borrowing authorizations. Of the \$19,550,000 allocated for farm ownership loans, a total of \$3,245,000 was allocated exclusively for loans on reclamation projects. The remaining portion consisting of \$16,305,000 was made available among the states and territories in accordance with the statutory formula for the distribution of funds based on farm population and prevalence of tenancy.

For 1955, \$19,000,000 was authorized for direct farm ownership loans. No direct borrowing authorization was provided for farm housing loans.

Public Law 521 approved July 22, 1954 amended Title I of the Bankhead-Jones Farm Tenant Act to provide for a flexible interest rate of not to exceed 5 percent for direct loans and 4 percent to the lender for insured loans. Public Law 521 also provided for the taking of second mortgages for direct loans where appropriate. Under the flexible interest provision, interest rates have been raised to 4 1/2 percent for direct loans and 3 1/2 percent for insured loans, plus a 1 percent insurance and administrative expense charge on the latter, in order to make the insured mortgage program more attractive to lenders and thus make available ample funds for the insured mortgage program. The second mortgage provision will allow some of the direct funds heretofore used to refinance existing debts to be available for additional loans. It is expected that a substantial percentage of the applicants for building construction and improvement loans, heretofore assisted by Title V of the Housing Act of 1949, can qualify for farm ownership loans.

Direct and Insured Farm Ownership Loans

1. Loans:

A. Direct Loans

Since inception of the program in 1938 to June 30, 1954, approximately 62,148 loans for more than \$418,731,874 have been made. This number and amount does not include non-cash loans previously made in the liquidation of rural rehabilitation projects properties which are also included as farm ownership loans on the loan accounts of the Administration. In the 1954 fiscal year, initial loans were made to 1,523 families in the amount of \$17,424,580. This includes 200 initial loans in the amount of \$3,107,175 made to settlers on reclamation projects. Subsequent loans to existing borrowers accounted for the balance of approximately \$2,000,000. In accordance with the veterans' preference provision of the Farmers Home Administration Act of 1946, 1,445 of the 1,523 loans were made to veterans. The average size of initial loans made from

direct funds is expected to drop \$800 or \$900 during the 1955 fiscal year because of the amendment to the Bankhead-Jones Farm Tenant Act which permits the taking of second mortgages. This will eliminate the necessity for including funds in loans for retirement of all existing first liens and should permit the making of approximately 100 more loans than would have been possible without the amendment.

Direct loan activity under the distribution formula and for reclamation projects is shown on the following tables:

Initial Loans Under Distribution Formula

<u>Fiscal</u> <u>Year</u>	<u>Initial</u> <u>Veteran Loans</u>		<u>Percent Loans to</u> <u>Veterans (Number)</u>	<u>Total All</u> <u>Initial Loans</u>	
	<u>Number</u>	<u>Amount</u>		<u>Number</u>	<u>Amount</u>
1947	3,012	\$23,549,776	55	5,489	\$41,682,243
1948	1,448	10,524,445	79	1,829	13,422,448
1949	1,460	10,827,510	78	1,867	13,739,182
1950	1,685	13,374,443	99	1,705	13,534,927
1951	1,734	15,661,003	97	1,793	16,160,876
1952	1,344	13,853,283	98	1,369	14,045,461
1953	1,252	13,673,915	98	1,276	13,871,389
1954	1,292	14,049,065	98	1,323	14,317,405
1955(est.)	1,355	13,470,000	98	1,385	14,200,000
1956(est.)	603	6,664,000	98	615	6,800,000

Initial Loans on Reclamation Projects

1951	150	\$ 1,692,142	67	223	\$2,556,722
1952	105	1,376,934	64	164	2,126,704
1953	102	1,562,084	71	144	2,167,504
1954	153	2,391,445	76	200	3,107,175
1955(est.)	160	2,407,000	75	215	3,200,000
1956(est.)	250	3,680,000	75	335	4,900,000

B. Insured Loans:

Increased activity up to a total of approximately \$24,000,000 is expected in the 1955 fiscal year because of the greater attraction of this program to private lenders resulting from the flexible interest provision in the amendment to the Bankhead-Jones Tenant Act.

Insured loan activity since 1948 and estimated for the 1955 and 1956 fiscal years is shown in the following table:

<u>Fiscal</u> <u>Year</u>	<u>Initial</u> <u>Veteran Loans</u>		<u>Percent Loans to</u> <u>Veterans (Number)</u>	<u>Total All</u> <u>Initial Loans</u>	
	<u>Number</u>	<u>Amount</u>		<u>Number</u>	<u>Amount</u>
1948	58	\$ 357,550	17	338	\$ 2,412,837
1949	316	2,020,910	28	1,149	7,937,241
1950	695	4,917,886	32	2,191	16,579,689
1951	642	4,877,540	30	2,150	17,555,650
1952	239	2,037,380	22	1,103	10,429,254
1953	282	2,850,142	27	1,045	10,531,216
1954	209	2,365,032	24	873	9,428,783
1955 (est.)	1,284	10,800,000	45	2,854 <u>1/</u>	24,000,000 <u>1/</u>
1956 (est.)	2,475	20,250,000	45	5,500	45,000,000

See Tables I, II, III and IV for loan distribution by states.

1/ A reduction in the average size of loans is estimated for 1955 due to inclusion of building improvement loans discussed in 2 below.

2. Use of Loan Funds: Continued emphasis is being given to the use of both direct and insured loan funds for enlarging and developing inadequate and underdeveloped farms. By concentrating on loans of this type, greater assistance can be given in relieving the problems of underemployment resulting from insufficient land resources. Loans made to adequately enlarge and develop farms can permit efficient utilization of available family labor and managerial ability. In addition to the tenant purchase, farm development, and farm enlargement loans, a new designation of "Building Improvement Loans" has been established. These loans will be made to farm owners who qualify under the terms of Title I of the Bankhead-Jones Farm Tenant Act, as amended, and who need assistance only for the construction and improvement of dwellings and other farm buildings. Except in unusual circumstances building improvement loan borrowers will not be given technical advice and assistance in farm and home planning.

It is estimated that about 1,482 building improvement loans averaging \$6,000 and totaling \$8,900,000 will be made during the 1955 fiscal year. It is expected that these will be made primarily from insured mortgage funds.

The following table shows the number of initial tenant purchase, farm development, and farm enlargement loans (including building improvement loans estimated for 1955) for both direct and insured loans and including loans on reclamation projects:

Fiscal Year	Tenant Purchase Loans	Farm Enlargement Loans	Farm Development Loans	Percent of No. of Total Loans Made For Enlargement and Development
1947	4,983	290	216	9.2
1948	1,724	152	291	20.4
1949	1,979	267	770	34.4
1950	2,113	426	1,357	45.8
1951	2,004	589	1,573	51.9
1952	1,112	439	1,085	57.8
1953	947	399	1,119	61.6
1954	929	390	1,077	61.2
1955(est.)	1,328	422	2,704 <u>1/</u>	70.2
1956(est.)	1,265	634	4,601 <u>1/</u>	80.5

1/ Includes building improvement loans.

3. Loan Repayments:

A. Direct Loans

From the inception of the farm ownership program in 1938 through March 31, 1954, a total of 68,431 families had been advanced \$441,761,352 (these figures include the number and value of non-cash loans) for the purchase, enlargement and development of farms. Principal payments of \$249,388,987 and interest payments of \$69,258,912 had been made. In addition, principal write-offs totaled \$1,175,302 and judgments were \$406,246. Interest write-offs were \$96,671 and judgments were \$37,121. As of March 31, 1954, cumulative scheduled installments of \$70,387,758 were due from 33,214 individuals with outstanding loan balances, but regular principal and interest payments made on these installments were \$80,021,323 which was 14 percent, or \$9,633,565 more than required on a scheduled amortization basis. An additional \$9,509,193 in refunds and extra payments not applied to scheduled installments were credited to these borrowers' accounts. On the same date, 20,632 borrowers were \$13,139,282 ahead of schedule, an average of \$637 each; 6,524 were on schedule and 6,058 were behind schedule \$3,505,717, an average of \$579 each.

A total of 35,217 of the 68,431 families who had received loans had paid their loans in full as of March 31, 1954. Of this number 22,147, or about 63 percent, continued to operate the farms acquired through this program. The remaining 13,070 fully satisfied their accounts but no longer operated the farms acquired through this program. See Table V for distribution by states

B. Insured Loans

As of March 31, 1954, \$69,572,871 had been advanced under the insured mortgage program to 8,312 farm families for the purchase, enlargement and development of farms. Payments by insured mortgage borrowers totaled \$16,954,819 as of the same date. Of

this amount, \$10,006,008 represented principal payments, \$5,032,348 payments on interest, and \$1,916,463 payments to the mortgage insurance fund, including the one percent insurance charge available for capital expenditures and administrative expenses. As of March 31, 1954, 736 insured mortgage borrowers had paid their loans in full. Of those with unpaid balances, 3,964 were ahead of schedule, 2,682 were on schedule, and 930 were behind schedule. See Table VI for distribution by states.

4. Progress of Borrowers: Records from 2,010 borrowers in the United States with accounts outstanding in 1954 who received loans in 1948 showed gross cash income increasing since the year before acceptance from \$3,045 to \$5,675. After these figures are adjusted for price change there remains an increase of approximately 100 percent. Net worth of these borrowers increased from \$3,991 to \$8,233, and value of livestock and equipment increased from \$2,589 to \$5,917.

Farm Housing Program - Title V of the Housing Act of 1949

Title V of the Housing Act of 1949, authorizing farm housing loans, originally expired on June 30, 1953. The legislation was extended to June 30, 1954, and the Housing Act of 1954 contained an extension of the authority to borrow funds from the Treasury for loans through June 30, 1955. However, loans for dwellings and other farm buildings which are made in 1955 are being processed under the authorities contained in Title I of the Bankhead-Jones Farm Tenant Act as amended.

1. Applications: During the fiscal year 1954 applications for farm housing assistance were received from 6,889 farm owners. On June 30, 1954, a total of 4,450 applications for assistance were on hand.
2. Loans and Grants: Since the inception of the Farm Housing program in October 1949 to June 30, 1954, initial and subsequent loans totaling \$97,304,777 had been made to 18,958 farm owners and initial and subsequent grants totaling \$363,674 had been made to 788 farm owners. Of these grants, 108 were made to farm owners who also received loans; thus 19,638 farm owners have been assisted by this program to date. By June 30, 1954, the major portion of the building funds, namely \$78,412,312, had been loaned for dwelling construction and repair. A total of 9,611 new dwellings and repairs to 6,988 additional farm houses had been financed with Farm H using funds by that date. The average planned construction cost of new houses during the 1954 fiscal year was \$7,440, including loan funds and cash contributions by borrowers. This relatively low cost of homes financed with Farm Housing loans is largely a result of borrowers making extensive use of salvage and locally-produced materials and utilizing a substantial amount of family labor to do the construction work.

Of the 2,688 farm owners receiving initial Farm Housing loans during the 1954 fiscal year, 1,167 or 43 percent were veterans. The following table shows the number and amount of initial loans and grants made during the past five fiscal years.

Total Initial Loans and Grants

<u>Fiscal Year</u>	<u>Number Loans and Grants</u>	<u>Amount Loans</u>	<u>Amount Grants</u>	<u>Total Amount</u>
1950	3,956	\$17,229,474	\$86,426	\$17,315,900
1951	5,394	23,915,746	131,073	24,046,819
1952	4,215	20,457,639	91,060	20,548,699
1953	3,385	18,788,882	54,810	18,843,692
1954	2,688	15,770,847	0	15,770,847

Initial Loans and Grants to Veterans Only

<u>Fiscal Year</u>	<u>Number Loans and Grants</u>	<u>Percent of Number</u>	<u>Amount Loans</u>	<u>Amount Grants</u>	<u>Total Amount</u>
1950	1,523	38	\$6,739,121	\$12,130	\$6,751,251
1951	2,096	39	9,670,262	13,880	9,684,142
1952	1,744	41	8,848,401	8,735	8,857,136
1953	1,514	45	9,071,093	2,825	9,073,918
1954	1,167	43	6,925,469	0	6,925,469

In addition to the above, 142 subsequent loans for \$189,548 and one subsequent grant for \$155 were made in 1951, 204 subsequent loans for \$319,215 and one subsequent grant for \$150 were made in 1952, 173 subsequent loans for \$336,339 were made in 1953 and 130 subsequent loans for \$297,087 were made in 1954. These subsequent loans and grants were made to both veteran and non-veterans.

The number of farm owners receiving Farm Housing financial assistance of various types is shown in the following table:

<u>Type Assistance</u>	<u>1950 Fiscal Year</u>	<u>1951 Fiscal Year</u>	<u>1952 Fiscal Year</u>	<u>1953 Fiscal Year</u>	<u>1954 Fiscal Year</u>
Loans	3,759	5,117	4,022	3,264	2,688
Loans with grants	32	37	29	10	0
Grants only	165	240	164	111	0
	<u>3,956</u>	<u>5,394</u>	<u>4,215</u>	<u>3,385</u>	<u>2,688</u>

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Table I - Farm Ownership: Total Loan Applications and Number of Direct Loans Made and Insured Commitments, 1953 and 1954 Fiscal Years and Cumulative From Inception of Program

State and territory	1953 fiscal year					1954 fiscal year							Direct loans made 1938 through 1954 fiscal years		Insured commitments 1943 through 1954 fiscal years	
	Number of loan applications			Number of direct loans made	Number of insured commitments	Number of loan applications				Number of direct loans made	Number of insured commitments	Number	Average amount \$	Number	Average amount \$	
	On hand beginning of year	Received during year	Total for consideration			On hand beginning of year	Received during year	Total for consideration	On hand end of period							
				1	2					3	4	5	6	7	8	9	10	11	12	13	14	15
U. S. Total.....	28,056	25,370	53,426	1,420	1,045	18,062	25,899	43,951	16,825	1,523	873	62,148	\$6,717	8,849	\$8,512	
Alabama.....	2,028	1,696	3,724	72	32	1,160	1,653	2,813	986	94	37	4,057	5,186	229	6,510	
Arizona.....	21	62	83	22	3	24	97	121	54	15	0	111	11,752	10	11,752	
Arkansas.....	1,267	925	2,192	58	7	742	868	1,550	541	52	5	3,289	5,021	199	5,705	
California.....	182	194	376	17	0	134	190	324	130	18	5	437	10,117	29	11,813	
Colorado.....	647	360	1,007	21	22	265	185	450	183	17	1	412	10,719	162	11,393	
Connecticut.....	28	29	57	0	3	8	41	49	14	0	3	41	9,963	9	9,871	
Delaware.....	3	15	18	0	0	7	6	13	4	3	0	82	6,213	6	7,213	
Florida.....	464	395	899	26	17	228	399	627	263	14	6	578	6,253	63	8,250	
Georgia.....	2,669	2,572	5,241	56	88	1,530	2,486	4,016	1,418	83	88	5,030	4,684	522	6,833	
Idaho.....	295	317	612	44	0	254	399	643	215	65	0	681	10,127	86	9,222	
Illinois.....	282	241	523	26	3	177	236	413	123	36	0	993	9,321	82	8,173	
Indiana.....	897	513	1,370	23	10	613	555	1,168	590	18	26	913	9,158	200	10,939	
Iowa.....	832	671	1,503	45	22	596	568	1,164	515	36	35	1,326	9,825	307	10,655	
Kansas.....	719	589	1,368	23	27	522	639	1,161	489	24	33	1,201	9,389	381	10,153	
Kentucky.....	442	564	1,046	29	46	330	580	910	356	32	35	1,183	7,686	125	10,186	
Louisiana.....	725	719	1,444	31	29	525	680	1,205	458	48	21	1,778	6,228	171	7,612	
Maine.....	168	271	456	10	45	117	179	296	91	11	8	191	7,221	138	7,244	
Maryland.....	118	98	216	12	3	59	90	149	62	7	3	333	7,093	56	7,818	
Massachusetts.....	53	64	117	3	3	17	50	67	13	2	3	90	8,769	14	10,206	
Michigan.....	325	301	626	15	33	225	426	651	250	14	25	913	6,769	307	9,105	
Minnesota.....	477	671	1,148	64	23	363	761	1,124	364	41	13	2,376	6,002	373	7,815	
Mississippi.....	1,900	1,715	3,615	62	42	1,953	1,855	2,808	1,161	146	30	4,306	5,946	340	5,761	
Missouri.....	1,908	1,698	3,606	93	88	1,225	1,218	2,443	966	82	67	2,775	6,633	714	7,178	
Montana.....	157	145	302	6	5	112	163	275	112	8	5	413	8,248	68	11,336	
Nebraska.....	871	575	1,446	24	14	637	561	1,198	502	25	7	928	10,653	166	11,413	
Nevada.....	33	31	64	3	0	19	27	46	18	3	2	46	11,663	3	12,733	
New Hampshire.....	25	49	74	3	3	22	47	69	20	3	0	46	6,836	9	8,438	
New Jersey.....	55	109	164	16	8	26	76	102	26	6	1	251	9,628	74	10,187	
New Mexico.....	79	162	241	17	1	116	191	307	96	17	16	258	11,460	51	11,392	
New York.....	169	243	412	11	12	127	161	288	71	14	4	678	6,648	113	7,306	
North Carolina.....	1,848	1,303	3,151	98	39	1,157	1,637	2,794	1,054	100	14	3,584	5,392	398	6,459	
North Dakota.....	505	706	1,211	32	62	569	821	1,390	393	14	99	721	8,578	343	11,913	
Ohio.....	769	637	1,406	31	16	499	630	1,129	393	31	5	1,107	8,296	165	9,119	
Oklahoma.....	945	718	1,663	19	33	474	778	1,252	580	29	27	3,152	6,397	260	9,175	
Oregon.....	92	131	223	14	4	96	130	226	44	17	4	490	8,106	67	10,330	
Pennsylvania.....	408	481	889	16	19	228	468	696	185	11	11	948	6,484	290	7,139	
Rhode Island.....	9	9	18	0	0	8	5	13	1	0	0	5	8,514	0	0	
South Carolina.....	454	553	1,007	36	40	358	651	1,009	385	66	23	2,533	4,957	202	6,835	
South Dakota.....	567	454	1,021	31	32	437	403	840	388	18	11	708	9,087	217	11,255	
Tennessee.....	1,187	824	2,011	49	21	695	1,075	1,770	672	46	48	2,167	6,089	200	7,610	
Texas.....	1,192	803	1,995	55	10	624	875	1,499	574	63	15	4,962	8,178	437	9,092	
Utah.....	147	158	305	15	0	114	157	271	129	14	31	352	10,270	31	10,138	
Vermont.....	85	140	225	12	12	75	128	203	35	7	3	178	7,082	27	7,134	
Virginia.....	418	427	845	20	37	300	730	1,030	283	26	11	1,133	6,306	147	8,835	
Washington.....	314	484	798	60	17	277	426	705	280	82	24	561	10,944	109	11,417	
West Virginia.....	293	389	682	43	3	209	504	713	225	12	17	663	5,731	78	6,906	
Wisconsin.....	502	760	1,262	35	109	362	928	1,290	411	24	110	1,795	5,432	823	8,274	
Wyoming.....	32	92	124	20	0	41	97	138	61	19	1	307	9,560	17	10,989	
Alaska.....	4	5	9	0	0	4	1	5	0	1	0	9	11,201	0	0	
Hawaii.....	55	34	89	0	2	21	145	166	65	1	1	254	6,458	31	8,988	
Puerto Rico.....	314	247	561	2	0	261	231	492	239	11	0	790	5,494	0	0	
Virgin Islands.....	0	21	21	0	0	20	70	90	81	9	0	13	8,794	0	0	

Note: This table includes Tenant Purchase, Farm Enlargement, and Farm Development loans from Federal funds and such loans made by private lenders which are insured by the Government.

1/ Average amount of initial and subsequent loans.

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Table II - Farm Ownership: Loan Applications From Veterans Only, Number of Direct Initial Loans Made and Insured Commitments, and Average Amount, 1953 and 1954 Fiscal Years and Cumulative From 1945

State and territory	1953 fiscal year										1954 fiscal year										Direct loans made 1945 through 1954 fiscal years				Insured commitments 1948 through 1954 fiscal years			
	Number of loan applications					Insured commitments					Number of loan applications					Insured commitments					Number		Average amount		Number		Average amount	
	On hand beginning of year		Received during year		Total for consideration	Number		Average amount		On hand beginning of year		Received during year		Total for consideration	Number		Average amount		On hand beginning of year		Received during year		Total for consideration	Number		Average amount		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18										
U. S. Total.....	15,854	14,475	30,329	1,354	\$11,253	282	\$10,107	10,159	14,931	25,090	9,705	1,445	\$11,378	209	\$11,316	15,715	\$9,102	2,441	\$8,006									
Alabama.....	1,242	1,061	2,303	71	9,931	7	8,790	665	1,012	1,677	598	94	8,936	8	6,558	759	7,663	64	6,490									
Arizona.....	15	46	61	22	17,550	1	14,550	14	63	39	77	12	15,288	0	0	69	14,460	4	12,750									
Arkansas.....	684	553	1,237	57	7,974	1	7,050	425	532	957	355	52	8,221	1	9,450	851	6,001	40	4,973									
California.....	120	125	245	13	12,888	0	83	105	188	73	143	14	14,533	2	20,000	118	11,798	10	12,111									
Colorado.....	359	206	565	17	14,864	6	12,607	152	133	285	120	15	14,943	0	0	0	134	12,943	38	10,766								
Connecticut.....	15	20	35	0	0	0	0	7	23	30	5	0	0	1	9,625	19	10,570	1	9,625									
Delaware.....	2	13	15	0	0	0	0	11	11	22	3	3	13,333	2	10,238	246	8,474	37	7,905									
Florida.....	320	293	613	26	9,622	11	9,639	172	277	449	182	14	9,307	29	9,590	815	7,450	199	6,250									
Georgia.....	1,332	1,180	2,512	35	11,948	17	8,320	697	1,197	1,894	714	58	15,076	0	0	390	11,741	7	10,211									
Idaho.....	188	224	412	39	11,948	0	0	178	258	436	141	51	15,076	0	0	0	164	9,960	9	6,701								
Illinois.....	163	190	353	26	11,368	0	0	132	190	322	92	26	11,040	0	0	0	216	10,680	27	9,431								
Indiana.....	445	301	746	23	11,335	3	11,000	332	348	680	355	18	12,846	0	0	0	331	12,646	38	10,351								
Iowa.....	429	430	859	45	16,803	3	16,733	365	331	696	319	36	16,941	6	14,512	402	10,882	59	10,668									
Kansas.....	414	312	726	29	13,651	7	12,500	284	349	536	274	22	12,959	4	11,772	402	10,882	59	10,668									
Kentucky.....	329	325	654	23	13,651	10	11,114	198	348	536	219	34	12,251	6	9,868	202	10,326	26	9,837									
Louisiana.....	404	373	777	31	9,299	9	8,576	267	416	683	266	48	9,179	5	10,110	301	8,208	60	7,535									
Maine.....	100	145	245	10	7,777	18	7,877	73	117	190	60	11	7,438	5	6,622	139	7,730	79	7,155									
Maryland.....	55	66	121	12	10,388	1	6,200	41	53	94	38	7	12,014	0	0	120	9,198	7	6,336									
Massachusetts.....	27	73	345	3	11,813	3	11,813	13	21	34	8	14	13,562	11	11,375	56	9,729	6	11,106									
Michigan.....	170	175	345	15	12,482	19	11,640	124	234	358	136	14	13,562	11	11,732	224	10,348	125	8,912									
Minnesota.....	298	441	739	64	10,539	1	21,105	234	533	767	248	41	11,124	0	0	697	8,018	77	7,374									
Mississippi.....	1,039	924	1,963	60	7,765	18	5,954	576	1,032	1,608	621	132	7,350	3	5,693	1,002	7,314	157	5,479									
Missouri.....	1,151	1,009	2,160	93	9,085	23	8,241	714	1,033	1,447	565	82	9,975	20	9,333	986	8,161	157	6,496									
Montana.....	82	97	179	5	11,123	1	14,375	64	94	158	58	8	14,494	0	0	142	11,945	27	11,893									
Nebraska.....	470	335	805	24	15,898	5	13,280	351	356	707	305	25	15,058	1	16,170	260	12,636	28	11,210									
Nevada.....	20	18	38	3	9,700	0	0	11	14	25	10	2	16,550	0	0	32	11,625	0	0									
New Hampshire.....	16	23	39	3	11,061	0	0	13	27	40	9	3	11,118	0	0	22	9,103	1	8,745									
New Jersey.....	35	69	104	16	11,855	2	14,875	15	55	70	20	6	15,271	0	0	179	10,136	28	10,073									
New Mexico.....	49	106	155	13	15,226	0	0	72	108	180	55	14	15,169	6	14,515	150	12,833	15	12,019									
New York.....	97	150	247	11	8,475	4	9,848	71	92	163	42	14	15,169	2	7,020	280	7,638	38	7,014									
North Carolina.....	1,054	767	1,821	93	9,790	3	7,318	670	922	1,592	643	96	10,101	0	0	777	7,812	106	5,661									
North Dakota.....	210	331	541	32	15,700	13	15,438	269	367	636	288	14	16,552	39	15,245	234	11,644	93	12,734									
Ohio.....	428	377	805	31	10,530	3	10,447	274	380	634	212	31	12,417	0	0	267	9,691	41	8,202									
Oklahoma.....	594	413	1,007	19	12,289	7	10,641	272	429	701	319	29	11,282	2	9,958	784	8,463	64	8,463									
Oregon.....	54	74	128	10	13,794	2	13,218	52	65	117	22	13	16,126	1	11,790	129	12,705	8	10,916									
Pennsylvania.....	238	256	494	16	9,549	8	10,353	113	236	349	100	11	10,768	2	9,455	346	7,345	101	6,915									
Rhode Island.....	4	5	9	0	0	0	0	4	2	6	1	0	0	0	0	1	10,900	0	0									
South Carolina.....	269	269	502	31	8,811	8	6,369	189	381	570	208	63	9,951	1	6,025	354	7,536	56	6,091									
South Dakota.....	313	270	583	31	15,526	9	13,112	258	268	516	257	18	14,909	3	14,023	199	12,526	36	13,311									
Tennessee.....	678	442	1,120	47	8,984	2	9,400	370	541	911	336	46	9,431	7	7,866	423	8,095	36	7,207									
Texas.....	693	494	1,187	55	12,671	0	0	371	581	952	372	63	12,533	2	15,875	1,153	10,465	163	8,931									
Utah.....	94	130	224	14	11,751	0	0	96	120	216	79	10	12,620	0	0	269	11,246	11	10,591									
Vermont.....	45	69	114	12	9,722	0	0	41	69	110	16	7	10,129	0	0	104	8,029	1	6,400									
Virginia.....	264	257	521	20	12,067	16	10,060	180	255	435	163	26	11,009	2	9,696	197	9,709	55	8,862									
Washington.....	191	275	466	48	15,581	6	13,068	159	259	418	157	63	16,102	4	13,354	257	13,954	25	11,497									
West Virginia.....	173	230	403	43	9,474	0	0	120	277	397	114	12	9,404	4	10,335	185	8,014	20	6,108									
Wisconsin.....	231	340	571	35	11,336	35	9,935	175	415	590	191	24	12,381	29	11,107	389	8,587	239	7,924									
Wyoming.....	21	76	97	17	13,874	0	0	31	78	109	51	17	13,686	0	0	176	11,973	2	12,455									
Alaska.....	3	0	0	0	0	0	0	3	1	4	0	1	13,000	0	0	9	11,201	0	0									
Hawaii.....	22	13	32	0	0	0	0	8	12	50	15	1	16,425	0	0	36	9,295	9	9,295									
Puerto Rico.....	226	141	367	1	10,398	0	0	162	200	342	200	11	16,198	0	0	95	8,199	0	0									
Virgin Islands.....	0	3	3	0	0	0	0	3	17	20	11	1	10,320	0	0	3	7,015	0	0									

Table III - Farm Ownership Direct Loan Program: Use of Funds - Number of Direct Loan Borrowers, Amount Loaned, Including Estimated Amount Furnished by the Borrower, 1954 Fiscal Year

State and territory	Loans to new borrowers													
	Number	Amount of Funds				Use of Funds					Amount of loans to prior year borrowers			Total amount of loans
		Loans	Furnished by borrower	Total	Average amount of loan	Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair	Refinancing	10	11		
1	2	3	4	5	6	7	8	9	10	11	12			
U. S. Total:	1,523	\$17,424,580	\$78,664	\$17,503,244	100.0%	\$11,441	\$7,335,143	9.0%	\$1,571,079	10.6%	\$3,002,705	21.3%	\$3,729,784	\$19,538,666
Percent distribution.....														
Amount.....														
Alabama.....	94	839,960	20,530	860,490	8,936	593,975	43,740	51,710	119,370	91,695	55,607	895,567		
Arizona.....	15	233,555	700	234,255	15,570	19,208	73,145	7,100	72,872	71,000	24,113	257,668		
Arkansas.....	52	427,505	5,920	433,425	8,221	135,759	55,172	31,580	53,079	157,835	96,747	524,252		
California.....	18	264,195	150	264,345	14,678	24,416	38,210	40,500	72,600	88,617	24,069	288,224		
Colorado.....	17	241,195	600	242,095	14,206	116,080	14,640	16,075	23,300	72,000	11,574	252,869		
Connecticut.....	0	0	0	0	0	0	0	0	0	0	0	0	319	319
Delaware.....	3	40,000	0	40,000	13,333	18,840	550	12,735	75	7,800	0	40,000		
Florida.....	14	130,300	275	130,575	9,307	32,445	13,200	10,950	49,950	24,930	42,886	173,186		
Georgia.....	83	916,760	2,220	920,980	11,069	259,923	113,051	108,986	200,770	198,250	145,752	1,064,512		
Iaho.....	65	970,770	0	970,770	14,935	104,675	74,450	202,900	464,015	124,530	39,364	1,010,134		
Illinois.....	26	287,050	112	287,162	11,040	90,817	32,512	30,065	8,370	129,398	13,518	300,568		
Indiana.....	18	231,232	0	231,232	12,846	126,245	12,115	13,290	7,330	72,252	8,279	239,511		
Iowa.....	36	609,860	15,305	625,165	16,941	449,505	31,920	35,275	12,025	96,440	67,822	677,682		
Kansas.....	22	285,753	100	285,853	12,969	166,686	12,610	23,293	23,293	54,903	44,067	329,820		
Kentucky.....	34	416,535	682	417,217	12,251	193,127	41,025	46,300	46,885	87,880	24,725	441,260		
Louisiana.....	48	440,595	1,075	441,670	9,179	130,032	57,715	35,115	116,000	102,808	91,801	532,396		
Maine.....	11	81,823	1,990	83,813	7,438	22,794	1,254	29,320	4,720	26,020	21,693	103,516		
Maryland.....	7	24,885	0	24,885	12,442	22,203	3,100	7,135	1,700	6,767	12,797	90,667		
Massachusetts.....	2	189,870	0	189,870	13,562	99,820	6,625	1,720	7,730	57,975	30,162	220,032		
Michigan.....	14	456,070	7,320	463,390	11,124	288,890	13,373	59,168	19,387	82,612	39,878	495,948		
Minnesota.....	146	1,071,386	1,745	1,073,131	7,338	438,727	96,135	77,715	257,210	203,344	189,729	1,261,115		
Missouri.....	82	817,955	725	818,680	9,975	347,410	82,815	83,905	23,150	40,064	6,398	906,509		
Montana.....	8	115,950	0	115,950	14,494	28,821	14,847	13,990	26,228	40,064	6,398	122,348		
Nebraska.....	25	376,455	30	376,485	15,058	325,620	12,875	24,740	9,650	3,600	25,846	402,301		
Nevada.....	3	52,500	500	53,000	17,500	3,950	3,950	5,150	9,400	34,300	16,033	68,533		
New Hampshire.....	3	33,355	0	33,355	11,118	13,595	1,445	10,180	825	7,310	1,153	34,508		
New Jersey.....	6	91,625	200	91,825	15,271	20,975	1,600	23,150	1,400	44,700	7,308	98,933		
New Mexico.....	17	252,510	230	252,740	14,854	94,350	21,170	15,750	51,550	69,920	28,799	281,309		
New York.....	14	134,148	0	134,148	9,582	90,430	2,670	20,970	11,535	8,543	17,476	151,624		
North Carolina.....	100	1,006,190	3,210	1,009,400	10,062	379,455	112,453	142,246	160,059	215,187	253,522	1,259,712		
North Dakota.....	14	231,735	1,165	232,900	16,552	148,800	2,845	37,065	25,290	18,900	23,778	255,513		
Ohio.....	31	384,937	160	385,097	12,417	192,905	23,680	31,867	5,885	130,760	1,551	386,488		
Oklahoma.....	29	327,165	1,000	328,165	11,282	216,446	8,940	29,682	26,804	46,293	65,263	392,428		
Oregon.....	17	278,155	2,200	280,355	16,362	144,117	34,220	33,176	36,502	132,340	26,141	304,296		
Pennsylvania.....	11	118,446	125	118,571	10,768	68,189	8,900	18,771	5,323	17,388	29,656	148,102		
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	2,872	2,872		
South Carolina.....	66	653,780	2,750	656,530	9,906	352,300	45,640	41,690	115,160	101,740	66,331	720,111		
South Dakota.....	18	268,362	2,468	270,830	14,909	213,016	22,440	22,969	12,985	19,420	14,676	283,038		
Tennessee.....	46	433,825	1,113	434,938	9,431	156,480	38,895	45,040	63,985	130,538	38,274	472,099		
Texas.....	63	789,555	2,339	791,894	12,533	469,105	22,340	43,390	120,445	136,614	115,878	905,433		
Utah.....	12	158,950	1,100	160,050	13,246	71,330	8,010	16,245	20,765	43,700	41,270	200,220		
Vermont.....	7	70,904	25	70,929	10,129	48,500	1,670	7,080	1,049	12,630	30,746	101,650		
Virginia.....	26	286,224	50	286,274	11,009	145,212	26,002	33,138	25,147	56,775	46,520	332,744		
Washington.....	82	1,316,995	100	1,317,095	16,061	65,044	298,855	205,602	440,233	307,361	25,799	1,342,794		
West Virginia.....	12	113,925	0	113,925	9,494	43,925	17,135	21,795	7,270	23,800	34,027	147,952		
Wisconsin.....	24	297,135	50	297,185	12,381	186,800	11,800	31,780	8,505	58,300	74,729	371,864		
Wyoming.....	19	266,300	400	266,700	13,711	71,830	8,265	26,120	85,480	69,205	19,689	280,189		
Alaska.....	1	13,000	0	13,000	13,000	7,000	1,000	1,500	3,500	0	0	13,000		
Hawaii.....	1	16,425	0	16,425	16,425	10,125	700	0	5,600	0	2,502	18,927		
Puerto Rico.....	11	178,175	0	178,175	16,198	12,425	3,750	13,800	48,200	0	17,866	196,041		
Virgin Islands.....	9	100,000	0	100,000	11,111	38,264	17,100	0	40,656	4,000	0	100,000		

Note: This table covers the loans made to Tenant Purchase, Farm Enlargement, and Farm Development borrowers.

Table IV - Farm Ownership Insured Loans: Use of Funds - Number of Insured Loan Borrowers, Amount of Insured Commitments, Including Estimated Amount Furnished by the Borrower, 1954 Fiscal Year

State and territory	Number	Loans to new borrowers												
		Amount of funds			Use of funds					Amount of loans to prior year borrowers				
		Loans	Furnished by borrower	Total	Average amount of loan	Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair	Refinancing				
										10	11	12		
1	2	3	4	5	6	7	8	9	10	11	12			
U. S. Total:	873	\$9,428,783	\$431,265	100.0%	\$9,860,048	\$10,800	\$4,386,103	\$688,709	11.7%	\$1,178,060	24.9%	\$2,457,621	\$102,010	\$9,530,793
Alabama.....	37	280,990	11,775	292,765	7,594	122,335	19,090	16,835	58,655	75,850	0	280,990	0	280,990
Arizona.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas.....	5	35,300	100	35,400	7,060	12,165	7,920	540	1,060	13,715	3,170	38,470	0	38,470
California.....	5	95,325	270	95,595	19,065	10,695	10,500	1,825	15,800	39,050	0	95,325	0	95,325
Colorado.....	1	6,800	0	6,800	6,800	100	200	0	175	4,500	0	6,800	0	6,800
Connecticut.....	3	25,630	0	25,630	8,543	302	3,205	4,860	1,300	15,963	0	25,630	0	25,630
Delaware.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida.....	6	60,100	2,331	62,431	10,017	23,621	6,640	1,925	16,795	60,100	0	60,100	0	60,100
Georgia.....	88	835,320	25,895	861,215	9,492	225,165	105,815	82,185	180,135	267,615	15,978	851,298	0	851,298
Idaho.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Illinois.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Indiana.....	5	63,600	3,450	67,050	12,720	32,543	4,515	6,692	0	23,300	0	63,600	0	63,600
Iowa.....	26	411,850	27,520	439,370	15,840	248,222	21,870	33,786	10,300	125,192	0	411,850	0	411,850
Kansas.....	35	435,420	27,214	462,634	12,441	270,186	32,779	42,121	29,427	88,121	0	435,420	0	435,420
Kentucky.....	33	346,945	5,850	346,795	10,332	76,985	46,770	47,827	38,078	137,135	8,930	349,875	0	349,875
Louisiana.....	21	174,530	4,150	178,680	8,311	9,725	25,905	17,115	50,670	75,265	0	174,530	0	174,530
Maine.....	8	57,398	1,000	58,398	7,175	12,750	2,998	13,135	4,695	24,820	0	57,398	0	57,398
Maryland.....	3	34,875	1,475	36,350	11,625	12,430	0	3,824	12,146	7,950	0	34,875	0	34,875
Massachusetts.....	3	31,000	1,475	32,475	10,333	3,380	1,715	5,545	500	22,860	0	31,000	0	31,000
Michigan.....	25	289,210	15,135	304,345	11,568	158,695	13,470	19,670	40,970	71,540	0	289,210	0	289,210
Minnesota.....	13	118,985	12,187	131,172	9,153	103,217	305	16,393	4,220	7,037	0	118,985	0	118,985
Mississippi.....	30	182,325	7,825	190,150	6,078	140,886	30,920	18,165	46,595	53,294	6,520	188,845	0	188,845
Missouri.....	67	611,275	25,260	636,535	9,124	248,115	72,600	49,420	58,555	207,845	22,282	633,557	0	633,557
Montana.....	5	59,480	0	59,480	11,896	27,340	3,280	2,705	15,705	10,450	0	59,480	0	59,480
Nebraska.....	7	104,855	7,515	112,370	14,979	92,605	1,900	7,850	6,215	3,800	0	104,855	0	104,855
Nevada.....	2	25,600	0	25,600	12,800	8,200	4,600	5,000	3,600	4,200	0	25,600	0	25,600
New Hampshire.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey.....	1	14,000	150	14,150	14,000	150	0	4,100	0	9,900	0	14,000	0	14,000
New Mexico.....	16	201,850	6,200	208,050	12,616	77,510	10,200	14,344	61,956	44,040	4,250	206,100	0	206,100
New York.....	4	32,265	3,025	35,290	8,666	27,975	750	3,160	1,605	1,800	0	32,265	0	32,265
North Carolina.....	14	121,890	2,345	124,235	8,706	30,319	11,821	12,190	30,635	39,270	8,945	130,835	0	130,835
North Dakota.....	99	1,455,754	76,901	1,532,655	14,705	824,280	26,320	216,999	200,796	264,060	13,050	1,468,804	0	1,468,804
Ohio.....	5	58,255	5,760	64,015	11,651	46,565	2,930	7,220	1,300	6,000	0	58,255	0	58,255
Oklahoma.....	27	303,930	9,370	313,300	11,257	154,940	13,722	31,579	26,964	86,095	0	303,930	0	303,930
Oregon.....	4	57,590	100	57,690	14,348	400	7,400	15,020	8,470	26,200	0	57,590	0	57,590
Pennsylvania.....	11	123,025	8,187	131,212	11,184	73,115	3,152	24,132	3,013	27,800	3,599	126,624	0	126,624
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina.....	23	216,110	7,400	223,510	9,396	102,575	13,815	12,875	41,470	52,775	0	216,110	0	216,110
South Dakota.....	11	169,476	15,011	184,487	13,589	142,221	1,170	10,330	6,866	3,900	4,985	154,161	0	154,161
Tennessee.....	48	426,560	16,675	443,235	8,687	142,334	36,200	49,765	68,000	141,936	0	426,560	0	426,560
Texas.....	15	165,391	8,242	173,633	11,026	111,957	2,525	11,140	28,911	19,100	990	166,381	0	166,381
Utah.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vermont.....	3	19,875	0	19,875	6,625	187	2,000	7,408	255	10,025	0	19,875	0	19,875
Virginia.....	11	99,931	4,730	104,661	9,065	38,722	12,816	19,117	21,785	12,261	0	99,931	0	99,931
Washington.....	24	307,096	5,942	313,038	12,794	43,627	43,660	45,791	15,087	141,435	0	307,096	0	307,096
West Virginia.....	17	153,571	7,785	161,356	9,034	70,812	17,616	18,782	15,571	38,575	0	153,571	0	153,571
Wisconsin.....	110	1,214,719	74,490	1,289,209	11,043	735,302	63,415	193,515	3,960	232,997	9,311	1,224,930	0	1,224,930
Wyoming.....	1	13,500	0	13,500	13,500	7,000	0	0	3,000	3,500	0	13,500	0	13,500
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii.....	1	13,400	0	13,400	13,400	50	0	13,200	150	0	0	13,400	0	13,400
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Note: This table covers the loans made to Tenant Purchase, Farm Enlargement, and Farm Development borrowers by private lenders, which are insured by the Government.

Table V - Farm Ownership: Direct Loans - Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through March 31, 1954

State and territory	Total number of borrowers	Borrowers paid in full						Borrowers with unpaid balance as of March 31, 1954					
		Payments				Write-offs and judgments		Number	Scheduled installments	Total	Payments		Extra payments and refunds
		Total credits	Principal	Interest	Number	Principal	Interest				Regular payments made on scheduled installments	As percent of schedule	
U. S. Total.....	68,431	\$44,176,132	35,217	\$230,832,723	\$197,134,972	\$31,982,441	\$1,581,948	\$133,792	\$70,387,758	\$89,530,516	\$80,021,323	114	\$9,509,493
Alabama.....	4,772	23,185,948	2,637	12,579,682	10,777,084	1,766,053	32,375	4,170	3,542,912	4,703,151	3,860,451	109	84,700
Arizona.....	125	1,899,897	42	1,000,000	490,364	4,089	13,134	3,202	187,207	202,261	195,632	104	6,629
Arkansas.....	4,140	19,646,460	2,103	10,581,932	6,691,570	1,574,041	308,513	7,803	3,503,796	4,624,456	3,704,008	106	458,448
California.....	435	4,319,970	253	2,662,330	2,296,956	384,020	1,272	82	563,457	667,019	614,638	104	52,381
Colorado.....	528	5,031,060	309	2,912,374	2,540,094	367,595	4,775	0	589,158	606,855	611,811	104	36,044
Connecticut.....	41	412,936	19	203,258	169,253	22,213	11,792	0	70,642	77,307	74,881	106	2,426
Delaware.....	83	563,417	44	320,908	269,108	42,622	8,220	958	88,902	138,209	99,790	111	39,419
Florida.....	712	4,102,943	333	1,730,641	1,469,036	229,027	11,629	919	379,598	709,513	560,744	103	148,769
Georgia.....	5,569	25,770,996	3,103	14,244,593	12,111,051	2,081,058	50,011	2,433	4,118,407	5,675,190	4,379,194	106	1,295,996
I Idaho.....	671	6,147,270	188	3,154,503	1,359,771	214,461	9,433	1,350	863,607	964,974	903,584	105	61,390
Illinois.....	998	9,239,016	567	6,074,133	5,193,751	876,534	3,239	609	1,429,689	1,960,616	1,857,069	130	103,547
Indiana.....	977	6,702,184	489	4,703,995	4,066,355	623,589	12,567	1,484	1,400,153	1,975,070	1,884,073	135	90,997
Iowa.....	1,320	12,930,925	706	7,424,996	6,283,429	1,011,418	25,067	309	1,742,105	2,238,909	2,230,909	129	70,660
Kansas.....	1,239	11,533,370	573	2,685,045	4,880,340	786,960	25,556	1,969	1,866,522	2,331,192	2,229,827	119	101,365
Kentucky.....	1,249	9,397,095	823	6,655,118	5,719,477	885,888	19,320	633	1,139,595	1,575,470	1,504,687	132	70,783
Louisiana.....	2,293	13,035,070	998	6,128,382	5,117,941	959,384	46,893	4,164	2,666,272	3,481,516	3,121,346	117	360,170
Maine.....	2,292	1,075,710	73	1,085,586	1,349,770	473,343	26,219	128	262,911	313,323	295,575	112	17,748
Maryland.....	536	2,767,943	144	1,134,586	1,487,720	173,134	3,118	862	471,724	580,895	475,431	101	105,414
Massachusetts.....	89	2,767,943	35	1,134,586	1,487,720	173,134	3,118	862	471,724	580,895	475,431	101	105,414
Michigan.....	947	6,382,601	510	3,243,036	2,762,992	459,653	16,483	3,904	1,089,687	1,381,288	1,256,930	116	122,558
Minnesota.....	2,557	15,375,551	1,355	8,274,246	7,146,319	1,095,731	32,361	126	2,231,973	2,918,100	2,801,114	125	116,986
Mississippi.....	5,166	29,358,951	1,956	10,713,427	8,677,680	1,764,361	20,731	24,246	5,427,598	7,477,598	6,409,634	105	1,087,964
Missouri.....	2,993	19,188,644	1,400	9,156,924	7,870,066	1,272,583	12,554	1,761	3,083,294	3,766,146	3,610,012	117	156,022
Montana.....	649	4,734,944	329	2,408,769	2,038,813	363,910	27,777	5,692	1,139,526	1,347,481	1,352,526	128	34,876
Nebraska.....	928	9,516,917	542	6,085,756	5,342,948	738,251	4,111	446	1,039,586	1,347,481	1,352,526	128	34,876
Nevada.....	45	483,100	9	83,182	74,189	9,093	0	0	93,860	93,414	78,358	83	15,056
New Hampshire.....	45	310,323	18	10,897	16,171	16,171	7,947	0	47,033	48,293	43,072	92	5,219
New Jersey.....	255	2,440,714	86	836,491	709,515	120,925	12,874	1,977	427,339	540,294	469,124	109	74,889
New Mexico.....	291	3,036,857	129	1,280,442	1,002,530	150,960	6,952	0	386,859	420,034	404,297	104	21,965
New York.....	765	4,594,780	366	2,500,551	2,024,033	332,687	137,914	5,917	866,208	1,120,146	936,244	108	183,902
North Carolina.....	3,956	20,668,414	2,347	12,244,893	10,618,887	1,609,887	13,710	2,909	2,662,818	3,751,111	3,252,104	122	499,007
North Dakota.....	820	6,765,756	442	3,472,373	3,043,855	391,735	33,186	3,597	930,131	1,137,762	1,088,343	117	49,419
Ohio.....	1,185	9,887,256	643	5,577,673	4,844,616	36,222	6,866	2,787	1,928,680	2,437,287	2,172,060	122	156,653
Oklahoma.....	3,297	21,011,372	1,855	10,866,575	9,209,352	1,598,868	37,068	1,287	3,374,216	4,465,357	4,172,281	121	395,064
Oregon.....	563	4,435,535	326	2,120,199	1,838,779	261,761	15,957	3,802	530,636	591,750	560,011	106	31,739
Pennsylvania.....	980	6,297,530	446	3,200,747	2,703,112	453,666	39,722	3,987	1,059,279	1,306,034	1,248,879	118	137,155
Rhode Island.....	40	40,567	2	12,434	10,297	2,137	0	0	48,466	48,466	43,072	99	10,579
South Carolina.....	2,834	13,556,560	1,469	7,328,171	6,257,873	1,067,125	31,677	1,496	2,540,956	3,503,689	2,778,800	109	724,889
South Dakota.....	731	6,005,044	429	3,281,670	2,627,066	654,604	0	0	722,451	930,131	908,540	126	21,965
Tennessee.....	2,248	13,505,534	1,216	7,612,108	6,533,428	1,069,392	8,895	4,433	2,122,637	2,868,698	2,611,161	123	257,537
Texas.....	5,230	41,733,303	3,058	26,013,109	22,345,755	3,695,705	51,635	6,014	7,187,379	818,519	7,658,220	107	660,299
Utah.....	358	3,763,143	73	630,802	516,285	96,607	14,690	3,220	707,886	759,354	683,104	96	76,250
Vermont.....	179	1,855,225	72	515,698	403,796	44,866	44,866	2,508	219,353	217,959	170,465	78	47,464
Virginia.....	1,167	7,180,723	667	4,044,045	3,492,978	547,044	1,837	2,016	1,508,263	1,908,151	1,877,667	116	210,164
Washington.....	558	5,831,752	196	1,535,740	1,334,234	192,893	8,496	117	632,076	760,253	699,893	111	60,360
West Virginia.....	664	3,789,075	279	1,535,059	1,288,850	217,189	22,958	6,062	655,889	883,073	765,009	117	118,064
Wisconsin.....	1,830	9,917,584	1,023	5,289,423	4,609,775	676,775	20,751	2,635	1,469,343	1,895,234	1,794,349	126	100,885
Wyoming.....	286	2,740,184	89	765,363	666,065	96,586	1,689	1,023	404,968	431,389	410,948	101	20,441
Alaska.....	8	88,866	0	376	72	304	0	0	17,173	12,902	12,902	75	0
Hawaii.....	261	1,685,843	165	1,114,513	942,823	155,566	16,067	117	239,739	223,373	223,373	98	16,366
Puerto Rico.....	829	4,510,653	283	1,880,032	1,437,789	295,690	76,009	10,544	996,677	1,225,624	1,054,929	106	170,695
Puerto Islands.....										4,102	4,102	160	

Table VI - Farm Ownership: Insured Loans - Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through March 31, 1954

State and territory	Total number of borrowers	Borrowers paid in full							Borrowers with unpaid balance as of March 31, 1954				
		Total amount insured	Number	Payments			Number	Scheduled installments	Total	Payments			
				Total 1/	Principal	On amount loaned by private lenders				Interest	Regular and advance payments made on scheduled installments	Extra payments and refunds	
													2	3	4	5	6	7	8	9	10	11	12	13
U. S. Total.....	8,312	\$69,572,871	736	\$5,778,121	\$5,240,300	\$380,328	\$157,493	\$9,477,326	\$11,476,698	\$10,361,652	109	\$815,046	
Alabama.....	206	1,333,971	16	92,285	84,247	5,710	2,328	172,672	212,354	185,624	108	26,730	
Arizona.....	10	117,517	1	12,533	10,600	1,367	566	13,139	15,660	15,194	116	466	
Arkansas.....	195	1,102,075	28	154,589	144,420	7,236	2,933	146,565	180,677	156,229	107	24,448	
California.....	26	287,848	3	28,129	25,095	2,217	817	34,668	41,307	36,069	104	5,238	
Colorado.....	160	1,825,719	14	148,638	133,045	11,140	4,453	202,658	219,555	201,062	99	18,493	
Connecticut.....	7	72,600	1	10,712	9,990	475	247	2,784	4,490	4,489	161	1	
Delaware.....	6	43,280	2	13,271	12,300	640	331	5,471	6,141	5,421	105	720	
Florida.....	59	482,965	2	16,975	15,110	1,380	435	55,070	60,420	56,275	102	4,345	
Georgia.....	457	2,936,269	59	320,175	269,305	22,077	9,411	350,267	442,943	370,626	106	72,317	
Idaho.....	86	794,666	7	72,178	66,075	4,392	1,711	127,912	142,411	125,836	98	16,575	
Illinois.....	82	670,988	10	73,474	65,898	5,281	2,305	110,467	115,567	113,108	102	2,459	
Indiana.....	197	2,148,318	20	207,487	185,860	18,348	6,999	283,672	370,232	330,152	116	40,080	
Iowa.....	284	2,907,282	25	267,183	221,274	18,184	6,721	452,515	513,376	505,150	112	8,426	
Kansas.....	358	3,577,360	45	465,562	417,343	34,323	14,271	945,694	1,031,272	601,380	110	29,522	
Kentucky.....	105	1,070,388	3	54,248	47,331	4,196	2,069	98,135	130,574	130,576	132	9,998	
Louisiana.....	150	1,143,286	8	52,808	48,844	2,766	1,198	131,895	161,766	143,163	109	18,603	
Maine.....	134	667,573	5	41,432	38,696	1,966	1,060	131,895	161,766	143,163	109	18,603	
Maryland.....	53	107,553	2	53,426	47,753	4,097	1,669	67,344	86,595	82,537	98	13,567	
Massachusetts.....	11	11,888	1	1,104	1,011	662	281	1,103	1,157	1,157	123	6,692	
Michigan.....	295	2,663,177	14	124,441	110,644	9,969	3,828	396,301	457,530	420,632	106	36,598	
Minnesota.....	365	2,849,235	42	297,419	267,226	21,344	8,849	518,684	578,759	552,847	107	25,912	
Mississippi.....	329	1,890,767	23	123,109	113,154	6,902	3,053	220,627	270,139	245,776	111	30,303	
Missouri.....	662	4,621,868	51	317,388	241,188	24,158	9,810	698,081	775,068	727,809	104	47,159	
Montana.....	63	711,547	3	39,171	36,305	1,966	900	111,185	126,022	117,082	105	8,940	
Nebraska.....	160	1,806,191	7	78,112	69,203	6,542	2,367	271,855	317,857	307,638	113	10,219	
Nevada.....	2	22,500	0	0	0	0	0	1,387	1,437	1,406	101	31	
New Hampshire.....	9	78,369	0	0	0	0	0	9,785	7,378	7,377	75	1	
New Jersey.....	74	755,638	10	106,237	98,008	5,615	2,614	125,110	121,215	115,134	92	5,781	
New Mexico.....	39	419,680	4	46,836	43,550	2,353	933	49,117	55,589	50,924	104	1,665	
New York.....	110	806,075	13	93,639	85,147	5,903	2,569	128,558	135,261	116,438	91	18,823	
North Carolina.....	321	2,502,546	51	281,099	256,606	17,096	7,397	332,735	429,715	388,549	117	41,166	
North Dakota.....	291	3,321,424	14	134,205	122,815	8,021	3,369	326,357	369,634	355,595	109	14,049	
Ohio.....	163	1,450,611	13	99,521	89,191	7,112	2,918	194,204	235,769	221,142	114	14,627	
Oklahoma.....	246	2,241,681	30	248,716	226,500	15,669	6,517	277,042	326,410	304,071	110	22,339	
Oregon.....	66	677,695	7	68,626	64,305	3,103	1,218	104,706	103,791	103,714	99	77	
Pennsylvania.....	283	1,998,354	27	198,645	180,572	12,820	5,253	270,639	337,657	289,567	107	48,090	
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0	
South Carolina.....	192	1,300,315	15	93,879	86,436	5,262	2,181	145,149	161,828	161,009	111	20,819	
South Dakota.....	213	2,391,724	10	112,936	102,279	7,266	3,391	123,144	325,241	327,183	101	8,058	
Tennessee.....	184	1,316,218	10	72,712	66,002	4,692	2,018	144,971	172,465	162,141	112	10,344	
Texas.....	424	3,840,938	50	503,659	461,555	30,324	11,780	642,212	825,949	775,125	121	50,824	
Utah.....	31	314,615	1	11,637	10,260	964	413	61,036	61,666	61,222	100	444	
Vermont.....	24	174,469	1	6,726	6,160	394	172	12,939	16,276	15,202	117	1,074	
Virginia.....	140	1,235,469	11	84,932	78,350	4,570	2,012	140,710	171,131	140,225	110	30,906	
Washington.....	100	1,121,949	2	20,657	18,675	1,410	572	139,461	148,108	142,330	102	5,778	
West Virginia.....	66	437,354	6	33,975	31,425	1,770	780	52,425	58,603	56,231	107	2,372	
Wisconsin.....	758	6,084,923	59	431,545	390,421	28,908	12,216	805,673	1,006,189	953,564	118	52,625	
Wyoming.....	16	173,320	2	20,922	19,210	1,135	577	27,690	35,097	33,684	121	1,413	
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	
Hawaii.....	30	263,527	2	20,865	19,334	1,112	419	38,595	41,378	39,797	103	1,581	
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0	0	
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	

Note: This table covers Farm Purchase, Farm Enlargement, and Farm Development loans made by private lenders which are insured by the Government. In addition to amount insured, this table covers small amounts advanced, including principal and interest repayments on these advances, for such purposes as the payment of taxes, insurance premiums, etc.

1/ Includes principal write-offs in the amount of \$12,820, principal judgments in the amount of \$4,902, and interest judgments in the amount of \$294.

Table VII - Farm Housing: Funds Obligated and Furnished by Borrowers, and Use of Funds,
1934 Fiscal Year

State and territory	Loans to new borrowers																
	Number	Amount of funds				Use of funds								Amount of loans to year prior to year		Total amount of loans	
		Loans	Furnished by borrower	Total	4	Dwellings				Other farm buildings				Amount of fees	Number		
						New		Repair		New		Repair					
						Number	Amount	Number	Amount	Number	Amount	Number	Amount				
U. S. Total.....	2,688	\$15,770,847	\$476,620	\$16,247,467	1,385	\$10,304,100	602	\$1,824,771	1,319	\$3,150,224	409	\$449,031	956	\$464,203	\$55,138	\$297,087	\$16,067,934
Alabama.....	177	879,875	21,375	901,250	89	567,320	19	62,525	97	237,995	3	1,190	73	31,355	665	145	880,020
Arizona.....	16	145,400	14,300	159,700	12	119,800	1	9,500	5	27,100	0	0	4	2,800	500	62	145,462
Arkansas.....	153	578,800	24,725	603,525	64	358,945	40	68,645	69	124,960	14	10,505	68	16,955	3,515	22,264	601,064
California.....	60	532,270	28,968	561,238	39	400,410	13	58,050	24	87,300	4	6,800	12	7,980	698	4,348	536,618
Colorado.....	31	190,135	5,664	195,799	16	128,964	13	41,375	10	19,030	5	1,685	11	4,570	175	178	190,313
Connecticut.....	1	5,585	0	5,585	0	0	0	0	1	5,585	0	0	0	0	0	3,160	8,745
Delaware.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida.....	48	379,200	9,585	388,785	37	310,310	10	31,900	7	29,270	8	9,765	11	6,740	800	778	379,978
Georgia.....	146	858,995	41,215	900,210	109	711,635	17	32,285	60	109,965	12	8,495	68	36,280	1,550	15,216	874,211
Idaho.....	37	260,355	12,190	272,545	21	175,660	13	57,175	22	31,160	0	0	8	7,950	600	5,003	265,358
Illinois.....	66	281,095	23,280	304,375	17	123,400	27	88,200	38	74,005	17	12,629	11	4,886	1,255	12,236	293,331
Indiana.....	42	285,855	5,400	291,255	22	187,915	14	49,575	11	20,615	10	25,500	15	7,530	120	14,925	300,780
Iowa.....	67	342,970	4,600	347,570	19	148,195	24	58,085	48	114,275	15	20,070	11	6,125	820	9,431	352,001
Kansas.....	33	240,419	21,315	261,734	12	160,509	18	56,958	20	36,411	19	5,868	3	1,215	743	21,338	261,757
Kentucky.....	76	434,880	7,200	442,080	30	236,495	20	86,045	46	92,380	13	10,085	27	12,880	3,695	11,183	446,703
Louisiana.....	84	531,775	14,690	546,465	76	514,275	5	24,290	4	4,800	1	725	4	1,650	725	1,311	533,086
Maine.....	37	163,635	0	163,635	4	19,660	24	25,165	25	89,330	28	21,135	7	6,760	1,565	20,468	184,103
Maryland.....	24	165,325	2,000	167,325	12	117,525	7	16,865	16	35,205	12	11,160	8	2,765	1,805	0	165,325
Massachusetts.....	66	356,625	6,650	363,275	13	106,900	28	110,130	38	90,245	18	48,380	9	5,200	620	3,312	359,937
Michigan.....	66	356,625	6,650	363,275	13	106,900	28	110,130	38	90,245	18	48,380	9	5,200	620	3,312	359,937
Minnesota.....	53	229,995	6,843	236,838	10	56,882	20	48,105	34	100,050	25	22,843	15	7,197	1,761	54	230,049
Mississippi.....	184	946,418	27,577	973,995	146	811,015	23	57,520	41	69,950	1	200	83	32,450	2,860	11,777	981,195
Missouri.....	152	539,100	6,007	545,107	140	420,242	34	54,410	103	224,970	25	15,740	76	37,500	2,245	3,762	542,862
Montana.....	30	239,190	19,455	258,645	17	186,765	8	43,005	9	21,660	1	1,040	5	5,950	225	5,352	244,542
Nebraska.....	30	178,520	11,600	190,120	10	88,245	10	40,569	28	54,935	9	3,070	8	3,050	251	6,441	194,961
Nevada.....	2	12,500	1,500	14,000	1	8,000	0	0	1	6,000	0	0	0	0	0	647	13,147
New Hampshire.....	5	28,085	0	28,085	4	19,660	1	762	4	23,660	2	2,303	1	1,200	140	0	28,085
New Jersey.....	36	175,030	1,300	176,330	1	13,500	7	15,735	31	113,725	13	29,750	3	2,600	1,020	4,156	179,186
New Mexico.....	38	245,632	8,123	253,755	24	188,480	10	29,425	16	23,000	6	3,650	13	8,350	850	4	245,632
New York.....	28	218,375	0	218,375	4	44,820	2	10,950	20	131,850	7	26,770	4	2,285	1,700	209	218,584
North Carolina.....	135	865,700	13,810	879,510	79	626,220	22	71,180	74	146,370	13	7,185	84	26,710	1,845	18,094	883,794
North Dakota.....	37	294,900	10,930	305,830	18	186,175	10	46,750	15	61,400	9	7,775	5	2,430	1,300	94	294,994
Ohio.....	23	141,905	2,520	144,425	5	54,925	11	35,710	15	30,090	18	19,398	8	3,017	1,285	9,450	151,355
Oklahoma.....	93	561,880	7,275	569,155	50	377,295	23	73,844	46	91,965	6	2,127	40	20,411	3,513	10,080	571,960
Oregon.....	14	97,955	0	97,955	7	47,685	2	7,400	11	34,368	1	900	4	6,580	792	0	97,955
Pennsylvania.....	22	130,626	0	130,626	1	12,742	5	7,899	20	77,792	13	30,492	2	845	856	6,656	137,282
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina.....	99	635,105	32,915	668,020	77	588,760	13	35,600	18	29,450	3	750	35	12,400	1,060	6,878	641,983
South Dakota.....	51	297,565	3,015	300,580	24	130,850	16	53,650	55	81,210	18	17,785	18	14,515	2,635	3,531	301,096
Tennessee.....	113	682,695	12,655	695,350	72	488,795	12	27,835	44	83,560	2	75	61	34,575	915	3,579	626,474
Texas.....	138	1,028,282	30,904	1,059,186	97	828,619	25	89,310	45	107,650	3	1,745	52	27,572	4,290	9,134	1,037,416
Utah.....	23	167,700	4,500	172,200	10	93,000	10	60,400	11	16,850	2	1,450	1	100	400	13,568	181,268
Vermont.....	2	7,100	0	7,100	0	0	0	0	2	6,975	0	0	0	0	0	0	7,100
Virginia.....	47	343,490	3,425	346,915	25	221,475	6	17,890	38	90,863	8	2,755	31	13,450	482	8,158	358,083
Washington.....	26	198,280	4,223	202,503	15	142,762	2	5,050	19	39,245	4	4,800	5	9,350	1,296	6,128	206,408
West Virginia.....	38	263,195	1,666	264,861	15	141,405	12	24,524	23	79,986	5	8,755	17	8,705	1,476	6,967	270,152
Wisconsin.....	42	226,015	2,800	228,815	3	27,500	19	43,285	32	106,234	35	43,151	15	7,120	1,525	7,411	233,426
Wyoming.....	10	88,025	9,620	97,645	7	76,770	3	18,500	1	150	0	0	3	2,050	175	924	88,949
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii.....	7	48,950	2,100	51,050	0	41,250	0	0	6	9,700	0	0	0	0	100	0	48,950
Puerto Rico.....	38	227,900	4,000	231,900	31	177,750	3	8,700	10	37,200	1	500	14	7,750	0	0	227,900
Virgin Islands.....	4	31,000	4,500	35,500	4	32,500	0	0	0	0	0	0	3	2,600	0	0	31,000

Table VIII - Farm Housing: Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through December 31, 1953

State and territory	Total number of borrowers	Borrowers paid in full				Borrowers with unpaid balance as of December 31, 1953									
		1	2	3	4	Payments		Number	Scheduled installments	Principal and interest payments					
						Total	Principal			Interest	Total	Regular and advance payments made on scheduled installments			
												Amount	As percent of schedule		
														10	11
U. S. Total.....	17,989	\$91,764,376	1,487	\$6,010,117	\$5,690,457	\$319,660	16,502	\$11,286,350	\$13,619,368	\$12,202,640	108	\$1,416,728			
Alabama.....	985	5,356,498	87	421,053	402,325	18,728	898	641,645	789,107	722,522	113	66,585			
Arizona.....	100	73,206	14	7,243	70,440	2,766	86	79,245	88,191	83,353	105	4,838			
Arkansas.....	928	3,036,499	72	207,141	197,186	9,955	856	349,488	445,406	389,966	111	56,440			
California.....	443	2,700,684	53	243,294	227,682	15,612	390	316,608	344,697	318,867	101	25,830			
Colorado.....	208	1,213,084	14	62,339	58,123	4,216	194	144,956	165,951	143,346	99	22,605			
Connecticut.....	34	142,082	6	17,371	16,175	1,196	28	14,834	16,742	15,764	106	978			
Delaware.....	5	26,290	1	9,451	8,750	701	4	2,071	2,071	2,071	100	0			
Florida.....	355	2,097,809	31	147,658	139,961	7,697	324	243,827	278,732	253,920	104	24,812			
Georgia.....	1,154	5,675,008	83	322,225	302,422	19,803	1,071	726,936	921,044	808,393	111	112,651			
Iaho.....	334	2,063,755	26	115,382	109,674	5,708	368	275,071	305,975	282,886	103	23,089			
Illinois.....	331	1,299,105	40	125,246	116,819	8,227	291	177,353	212,558	189,742	107	22,816			
Indiana.....	300	1,526,343	44	154,089	145,762	9,427	256	170,360	210,922	190,099	112	20,323			
Iowa.....	350	1,640,439	22	93,626	87,530	6,046	328	162,461	200,936	172,519	106	20,417			
Kansas.....	261	1,385,553	33	127,745	117,745	6,030	228	161,402	167,983	157,037	97	10,886			
Kentucky.....	416	2,183,879	19	99,990	90,502	5,408	397	255,242	321,744	285,766	112	35,976			
Louisiana.....	638	3,322,801	40	179,077	168,827	10,210	598	453,015	552,229	502,221	111	50,008			
Maine.....	259	1,030,051	19	46,365	44,445	1,920	240	148,780	146,235	146,346	98	17,889			
Maryland.....	136	736,046	12	61,733	57,750	3,983	124	76,673	86,669	78,566	100	8,103			
Massachusetts.....	18	91,458	2	6,049	5,950	499	16	5,550	13,354	11,982	100	1,762			
Michigan.....	409	1,971,212	17	66,839	62,625	4,014	392	269,473	328,813	306,716	114	22,097			
Minnesota.....	299	1,247,480	21	80,590	76,065	4,525	278	134,985	175,310	165,592	123	9,756			
Mississippi.....	1,119	4,725,736	80	293,249	280,439	12,810	1,039	577,525	684,243	629,955	109	54,288			
Missouri.....	850	3,101,681	89	255,923	241,731	14,182	761	359,154	432,003	382,577	107	49,426			
Montana.....	184	1,103,692	18	90,336	86,280	4,056	166	124,091	141,104	122,756	99	18,348			
Nebraska.....	359	1,636,564	32	107,151	102,333	4,818	327	220,950	252,550	221,182	100	31,368			
Nevada.....	24	168,807	1	2,612	2,500	112	23	23,760	23,689	23,548	99	141			
New Hampshire.....	14	49,920	1	539	500	30	13	4,893	4,831	4,231	121	600			
New Jersey.....	142	727,615	14	48,250	44,206	4,044	120	86,770	96,391	89,099	103	7,292			
New Mexico.....	221	1,231,903	24	91,569	85,274	6,295	197	152,578	164,000	144,661	95	16,688			
New York.....	158	849,594	15	67,077	64,030	3,047	143	96,168	108,773	92,085	96	16,688			
North Carolina.....	728	4,159,750	41	189,239	179,243	9,996	687	454,387	661,159	581,895	128	79,264			
North Dakota.....	190	1,191,143	5	22,004	21,160	844	105	141,982	141,773	125,039	88	16,734			
Ohio.....	188	862,935	27	86,839	81,640	5,199	161	130,736	130,736	111,247	107	19,489			
Oklahoma.....	930	4,676,270	87	365,085	348,946	16,939	843	616,135	734,530	631,106	102	103,424			
Oregon.....	202	1,316,146	15	98,183	93,324	4,959	187	174,497	203,836	177,257	102	26,579			
Pennsylvania.....	352	1,491,370	46	128,283	119,634	8,649	306	191,850	220,740	202,528	106	18,212			
Rhode Island.....	2	5,570	0	0	0	0	2	4,420	4,420	4,420	110	0			
South Carolina.....	609	3,572,545	33	133,187	126,166	7,021	576	441,867	571,188	500,504	113	70,684			
South Dakota.....	211	1,109,249	12	56,136	53,244	2,892	199	129,104	125,479	141,630	97	16,151			
Tennessee.....	569	2,967,961	46	169,443	161,603	7,840	523	372,376	488,411	433,364	116	55,047			
Texas.....	1,140	6,553,357	97	432,076	408,593	23,303	1,043	816,453	1,004,734	907,286	111	97,448			
Utah.....	259	1,607,822	14	61,669	61,217	3,652	245	239,840	282,289	251,283	105	31,006			
Vermont.....	17	66,525	1	2,826	2,735	91	16	7,034	8,213	7,950	113	263			
Virginia.....	324	2,096,063	25	123,218	117,111	6,107	299	261,104	302,945	273,754	105	29,191			
Washington.....	198	1,354,127	13	58,784	56,625	2,159	185	182,240	214,718	194,167	107	20,551			
West Virginia.....	234	1,504,034	15	110,543	104,393	6,150	219	197,148	251,120	223,658	113	27,462			
Wisconsin.....	282	1,274,425	22	76,162	71,207	4,955	260	149,393	182,716	166,311	111	16,405			
Wyoming.....	138	794,315	20	95,634	89,605	5,829	118	100,128	100,777	97,432	97	3,345			
Alaska.....	1	1,000	0	0	0	0	1	1,103	695	695	63	0			
Hawaii.....	99	809,469	5	26,022	25,325	697	94	97,740	124,046	108,572	111	15,474			
Puerto Rico.....	267	1,199,623	32	137,577	131,365	6,212	235	140,314	147,991	141,747	101	6,144			
Virgin Islands.....	15	75,130	1	3,102	3,000	102	14	4,417	4,567	4,567	103	0			

Production and Subsistence Loans - Title II

1. Demand: A decided increase in applications for operating loans occurred during the spring and early Summer months of 1954 compared to 1953. Applications for initial operating loans for the entire year were 21 percent higher for the Nation than the number received during the 1953 fiscal year. A 34 percent increase was registered in the East, 17 percent in the Midwest, 22 percent in the South, and 21 percent in the West.
2. Number of Initial Loans: During the 1954 fiscal year, \$140,000,000 in borrowing authority for production and subsistence loans was available. Of this amount, \$20,000,000 was provided by the Congress to assist in meeting the unusual demands resulting from drought and price difficulties encountered by some farmers. A sizeable increase in annual loans occurred in the 1954 fiscal year because of the demand for temporary credit resulting from low income on individual farms the previous year, and the tightening of available agricultural credit in some areas. It is anticipated that the number of annual loans will be approximately the same for the 1955 fiscal year. The following table shows the number of operating loans made and the total amount of funds available during each of the fiscal years 1949 through 1954 and with estimates for 1955 and 1956.

Fiscal	<u>Number Initial Loans Made</u>			<u>Subsequent</u>	<u>Total Available</u>
<u>Year</u>	<u>Adjustment</u>	<u>Annual</u>	<u>Total</u>	<u>Loans</u>	<u>for Operating Loans</u>
1949	37,935	25,621	63,556	37,049	\$75,000,000
1950	40,622	8,772	49,394	41,774	85,000,000
1951	34,311	11,633	45,944	44,230	103,000,000
1952	23,650	855	24,505	34,361	110,000,000
1953	23,616	409	24,025	34,413	120,000,000
1954	26,922	7,239	34,161	38,976	140,000,000
1955(est.)	23,320	7,000	30,320	37,930	122,500,000
1956(est.)	23,320	7,000	30,320	37,930	122,500,000

See Table I for distribution by states.

3. Use of Loan Funds: The major portion of the production and subsistence loan funds are being used to assist farmers in making basic adjustments in their farming operations in order to farm efficiently and carry out a stable economic type of farming. Approximately 73 percent of the initial adjustment type loan funds were used for purchase of capital items such as productive livestock, machinery and equipment, or the refinancing of debts secured by liens on such property. Approximately 21 percent of the loan funds were used for other farm operating expenses. Funds in annual type of loans were primarily for feed, seed, fertilizer, and other farm operating expenses.
4. Collections: The following is a summary of the cumulative and current collection activity on operating loans:
 - A. Cumulative collections on production and subsistence loans made by the Farmers Home Administration and other types of operating loans made by predecessor agencies have exceeded cumulative advances made during the last eight fiscal year by \$23,863,124.

B. Cumulative loan advances and collections of rural rehabilitation loans, Farm Security Administration, Emergency Crop and Feed Loan Division, and the Farmers Home Administration follows:

	<u>Loan Advances</u>	<u>Collections to 6/30/54 Principal</u>	<u>Interest</u>	<u>Principal Repay. to Maturities</u>	<u>Total Colls. to Advances</u>
Rural Reha- bilitation Loans - June 1935 to 10/31/46	\$1,004,901,875	\$689,186,070	\$123,981,476	88.5%	100.8%
Emergency Crop and Feed Loans- 1918 to 10/31/46	575,934,022	475,386,672	57,652,182	82.5%	92.5%
Production and Subsistence Loans - 11/1/46 to 6/30/54	753,935,844	460,246,975	42,458,357	93.6%	66.7%

See Tables III and IV for distribution by states

5. Progress of Borrowers: A summary of reports from 13,431 borrowers who repaid their loans during the 1954 fiscal year and continued to farm showed an average increase in net worth between the time of application and the time of loan payment of \$3,468. Net worth at the time of application was \$4,907, and at the time of loan repayment was \$8,375. Average gross farm income for each of these operators was \$3,088 at the time of application and \$4,820 during the year when final payment was made. Since the average borrower was indebted four years, the average year of application was 1949 for those families for whom reports were tabulated. Changes in prices between the 1949 and the 1953 crop years were small. Thus, the increased income reflected by the reports represents, for the most part, an increase in real income.
6. Debts Compromised, Adjusted, or Canceled Pursuant to Public Laws 518 and 731: Continued emphasis is being given to the settlement of old accounts eligible for compromise, adjustment, or cancellation under existing statutory authorities.

The following table shows adjustment, compromise, and cancellation settlements during the fiscal year 1954 and from the inception of such activity on April 4, 1945, through June 30, 1954:

	<u>During Fiscal Year 1954</u>	<u>From Inception April 4, 1945 through June 30, 1954</u>
Number of borrowers involved in settlements	33,660	755,211
Original principal indebtedness	\$22,059,244	\$266,336,912
Repaid prior to settlement:		
Principal	\$8,992,251	\$100,722,352
Interest	1,781,695	16,829,733
Unpaid balance at time of settlement:		
Principal	13,066,994	165,614,561
Interest	8,679,807	68,090,268
Principal and interest paid at time of settlement	1,493,763	17,794,594
Principal and interest written off	20,253,038	215,910,235

Table I - Total Production and Subsistence Loans to Individuals, 1953 and 1954 Fiscal Years
and Cumulative From Inception, November 1, 1946, Through June 30, 1954 1/

State and territory	1953 fiscal year						1954 fiscal year						Cumulative - November 1, 1946 through June 30, 1954					
	Adjustment loans			Annual loans			Adjustment loans			Annual loans			Adjustment loans			Annual loans		
	Initial		Subsequent	Average amount	Number	5	Initial	Average amount	Number	7	6	Initial	Average amount	Number	10	11	12	13
	Number	Average amount																
U. S. Total.....	23,616	\$3,150	34,413	\$1,314	409	0	26,922	\$3,281	38,976	\$1,180	7,239	\$781	234,247	\$1,839	327,909	\$828	160,812	\$321
Alabama.....	1,422	1,694	1,909	906	0	0	1,009	1,696	2,544	812	915	518	12,450	926	23,378	491	7,744	303
Arizona.....	73	4,195	69	3,077	0	103	3,077	5,011	132	2,627	155	3,556	569	1,835	708	1,835	1,526	1,526
Arkansas.....	895	3,235	1,301	1,260	39	787	872	3,053	1,321	1,044	155	3,840	10,740	1,589	16,092	678	10,695	362
California.....	287	4,478	407	2,258	2	3,175	2,102	4,793	526	2,102	9	3,055	2,575	3,136	2,832	1,706	2,713	1,098
Colorado.....	292	4,699	999	1,473	5	498	457	4,789	968	1,329	39	1,846	3,661	3,169	6,931	1,198	661	619
Connecticut.....	22	5,259	33	2,578	1	3,980	13	5,430	34	1,710	4	3,888	105	3,927	155	1,733	32	1,137
Delaware.....	20	2,615	20	1,302	2	1,150	11	2,755	21	1,409	4	2,056	101	1,475	208	1,032	53	554
Florida.....	278	3,190	675	1,483	8	688	327	2,912	797	1,396	181	743	3,342	1,475	5,164	913	2,806	328
Georgia.....	762	3,009	1,709	1,420	3	983	872	2,927	2,227	1,222	299	737	11,199	1,232	16,217	757	13,704	281
Iaho.....	492	3,463	965	1,360	3	983	639	4,011	1,061	1,403	11	2,549	3,847	2,713	6,349	1,173	4,31	626
Illinois.....	551	3,569	597	1,301	0	0	714	3,827	658	1,146	56	1,120	4,109	2,807	4,554	999	424	522
Indiana.....	378	4,132	356	1,471	2	328	426	4,279	489	1,272	14	731	3,048	2,821	2,545	535	535	360
Iowa.....	509	3,941	588	1,184	1	7,000	627	4,314	725	1,013	72	1,072	3,434	2,958	6,502	827	348	620
Kansas.....	276	3,995	604	1,095	18	301	942	4,703	755	1,170	31	1,279	3,281	2,963	5,743	821	748	491
Kentucky.....	976	1,915	969	881	16	301	942	1,880	578	936	43	346	8,798	1,106	8,020	587	3,807	191
Louisiana.....	959	2,636	804	1,548	0	0	1,005	2,425	952	1,402	647	672	10,219	1,342	10,772	765	11,726	290
Maine.....	223	2,956	416	1,899	0	280	351	3,119	673	1,743	351	3,330	2,222	2,215	1,436	664	2,160	200
Maryland.....	176	2,698	274	1,255	1	600	193	2,577	299	1,307	14	496	1,438	2,067	1,974	978	832	301
Massachusetts.....	21	3,479	29	1,772	2	1,000	24	4,140	43	1,857	3	1,017	1,89	2,666	316	1,480	101	698
Michigan.....	478	3,886	544	1,625	2	438	469	4,051	614	1,454	5	990	4,590	2,524	3,922	1,200	365	361
Minnesota.....	544	5,074	413	1,412	46	732	676	4,996	338	937	173	1,596	4,741	3,240	3,558	988	2,002	564
Mississippi.....	1,094	2,570	1,454	1,233	0	250	1,556	1,911	2,512	806	617	419	11,167	1,288	22,285	601	12,168	230
Missouri.....	975	3,250	911	1,004	0	0	1,188	3,174	1,562	810	0	0	7,501	2,330	9,811	758	1,220	538
Montana.....	335	4,819	1,007	1,689	7	1,503	385	5,025	597	1,635	28	1,781	2,670	3,435	7,491	1,329	738	718
Nebraska.....	390	4,173	422	999	5	600	456	4,203	504	845	13	1,621	2,709	3,080	3,364	596	455	563
Nevada.....	28	5,169	23	3,154	0	0	35	5,215	31	1,950	1	7,000	253	3,421	245	1,861	19	1,528
New Hampshire.....	43	5,357	67	2,076	0	0	33	4,997	111	1,656	1	0	0	3,719	550	1,591	67	372
New Jersey.....	138	3,188	205	1,990	3	2,833	187	3,217	1,884	1,884	5	2,360	1,223	2,378	1,485	1,457	156	811
New Mexico.....	273	3,865	451	1,810	3	414	362	3,658	616	1,630	26	1,338	1,285	2,774	3,506	1,251	1,123	540
New York.....	251	5,129	608	1,750	1	625	344	5,082	768	1,384	5	3,602	2,175	3,360	5,500	1,159	719	555
North Carolina.....	1,460	1,892	2,316	1,130	22	541	1,392	1,916	2,420	1,208	474	726	21,511	917	22,111	684	18,169	276
North Dakota.....	415	4,190	705	1,103	0	680	501	4,368	664	1,054	56	783	3,032	3,001	4,100	924	3,682	475
Ohio.....	401	4,213	276	1,706	2	702	404	3,968	357	1,326	9	1,022	2,997	2,871	1,841	1,259	521	315
Oklahoma.....	979	3,761	1,706	1,015	33	621	1,248	3,762	2,304	903	99	1,023	10,658	2,774	20,934	643	2,394	400
Oregon.....	197	3,806	450	1,885	4	5,384	159	4,100	356	1,772	16	2,996	1,793	2,631	2,789	1,392	186	889
Pennsylvania.....	359	3,802	582	1,514	0	0	377	3,811	504	1,463	17	1,026	3,158	2,632	3,905	1,168	752	439
Rhode Island.....	2	5,328	6	2,375	0	0	1	4,170	6	2,450	0	0	23	3,227	73	1,383	1	1,000
South Carolina.....	1,274	1,594	1,470	1,021	0	0	1,085	1,481	1,768	888	2,381	409	20,331	624	16,300	485	25,522	245
South Dakota.....	369	4,321	437	1,906	10	640	576	4,417	733	1,094	15	1,054	2,886	3,303	4,089	1,022	1,298	500
Tennessee.....	714	1,857	1,006	805	16	286	672	1,861	774	779	37	396	6,280	1,158	8,397	555	4,075	265
Texas.....	1,709	3,905	2,388	1,350	72	734	2,721	4,027	1,241	1,470	40	1,133	13,323	2,691	27,650	844	12,571	312
Utah.....	169	3,200	379	1,164	2	1,350	202	3,125	355	1,322	5	2,270	1,450	2,376	2,742	1,177	301	557
Vermont.....	46	5,096	80	1,669	0	0	46	3,143	107	1,825	0	0	385	3,703	766	1,203	30	364
Virginia.....	422	1,763	529	991	53	360	407	1,922	641	859	294	414	3,769	1,149	3,970	743	4,869	221
Washington.....	355	4,562	460	2,167	1	1,700	307	4,776	556	1,976	12	3,432	2,316	3,252	2,747	1,720	138	1,176
West Virginia.....	284	2,817	244	1,564	8	421	282	2,696	406	1,107	22	772	2,088	1,634	1,908	986	589	211
Wisconsin.....	537	4,195	746	1,259	0	0	621	4,004	725	961	17	2,241	4,728	2,837	5,153	973	518	297
Wyoming.....	228	4,917	712	1,834	2	405	251	4,985	659	1,684	1	1,971	1,990	3,331	5,274	1,401	403	975
Alaska.....	3	4,833	3	1,967	0	0	5	2,770	2	2,150	0	0	78	2,519	17	1,463	0	0
Hawaii.....	38	2,464	24	1,228	1	1,500	0	2,083	54	1,856	1	2,500	379	1,998	229	1,351	5	1,260
Puerto Rico.....	492	1,554	1,063	1,170	0	0	510	1,487	1,154	1,292	5	940	6,822	686	9,552	700	10,168	342
Virgin Islands.....	2	1,625	2	512	0	0	14	3,629	3	1,400	0	0	114	797	101	348	134	138

1/ Does not include loans from state rural rehabilitation corporation funds.

Table II - Production and Subsistence Loans to Veterans Only,
1952, 1953, and 1954 Fiscal Years 1/

State and territory	1952 fiscal year						1953 fiscal year						1954 fiscal year					
	Adjustment loans			Annual loans			Adjustment loans			Annual loans			Adjustment loans			Annual loans		
	Initial		Subsequent	Average amount	Number	5	Initial	Average amount	Number	7	8	9	Subsequent	Average amount	Number	10	11	12
	1	2																
U. S. Total.....	11,246	\$2,874	15,815	\$1,428	219	7734	10,555	\$3,390	15,853	\$1,392	150	\$834	10,687	\$3,494	17,349	\$1,243	1,470	\$945
Alabama.....	560	1,991	513	1,230	1	250	610	1,872	770	972	0	0	369	1,874	922	879	209	536
Arizona.....	31	3,910	51	2,482	0	35	35	5,052	43	3,135	0	0	53	5,387	77	2,556	18	4,267
Arkansas.....	554	2,755	535	1,327	23	896	409	3,262	601	1,216	16	806	331	3,204	549	1,099	47	766
California.....	137	3,740	201	2,301	4	3,291	139	2,285	224	2,285	1	2,500	172	4,850	266	2,201	1	4,100
Colorado.....	139	3,878	367	1,957	8	4,471	134	4,767	435	1,556	2	720	190	4,664	443	1,357	16	1,888
Connecticut.....	7	5,429	7	1,864	0	0	8	3,693	10	2,838	0	0	4	4,750	14	1,461	0	0
Delaware.....	4	1,431	6	1,105	0	0	9	1,593	3	1,593	1	1,500	7	3,457	12	1,220	0	0
Florida.....	212	2,332	227	1,761	0	0	196	3,239	329	1,573	0	0	157	2,926	448	1,483	43	717
Georgia.....	358	1,695	430	1,637	3	2,533	288	3,174	607	1,441	3	700	316	1,274	790	1,274	44	928
Iaaho.....	275	3,098	551	1,446	1	3,090	239	3,555	549	1,440	1	600	291	4,100	606	1,443	5	2,916
Illinois.....	302	3,465	342	1,390	3	1,023	301	3,580	356	1,333	0	0	381	3,855	369	1,091	15	1,557
Indiana.....	273	3,198	171	1,405	0	0	192	4,160	209	1,550	0	0	233	1,385	233	1,385	5	981
Iowa.....	211	3,948	572	1,102	0	0	318	3,974	343	1,552	0	0	325	4,294	430	1,039	23	1,145
Kansas.....	269	3,513	500	1,120	4	1,392	143	3,893	395	1,122	5	1,597	106	4,640	425	1,261	4	564
Kentucky.....	466	1,047	427	1,068	13	357	434	2,013	444	951	7	344	349	1,901	262	893	8	325
Louisiana.....	376	2,472	327	1,494	11	375	367	2,921	310	1,666	0	0	319	2,850	327	1,542	138	745
Maine.....	105	2,480	170	1,587	1	3,500	90	2,892	219	1,930	0	0	187	3,170	265	1,875	77	3,341
Maryland.....	75	2,888	71	1,065	3	550	62	3,177	84	1,234	0	0	146	4,474	84	1,484	5	570
Massachusetts.....	12	3,598	11	2,468	0	0	8	3,072	17	1,691	2	1,000	21	4,018	21	1,819	1	750
Michigan.....	277	3,276	313	1,519	4	775	299	3,541	298	1,569	1	400	203	3,991	339	1,469	0	0
Minnesota.....	275	4,080	249	1,583	1	450	301	5,153	245	1,426	14	574	325	5,000	183	945	56	1,829
Mississippi.....	559	2,256	694	1,302	1	275	573	2,635	704	1,214	1	200	550	2,232	1,143	828	106	454
Missouri.....	526	3,135	624	1,018	1	1,000	542	3,289	542	1,042	0	0	576	3,204	871	818	0	0
Montana.....	119	4,643	523	2,192	0	0	172	4,790	523	1,738	3	1,607	171	5,109	506	1,689	6	2,117
Nebraska.....	344	3,722	252	1,430	1	500	229	4,043	247	1,047	2	862	233	4,232	290	875	6	987
Nevada.....	10	4,036	23	2,942	0	0	12	5,383	13	3,370	0	0	16	5,407	12	2,245	0	0
New Hampshire.....	9	4,141	30	2,754	1	400	22	4,980	34	1,761	0	0	13	5,153	66	1,650	0	0
New Jersey.....	73	2,662	98	1,895	0	0	51	2,969	98	2,021	1	1,000	62	2,934	97	2,026	2	600
New Mexico.....	133	3,736	208	1,740	6	378	122	4,063	195	1,759	3	533	149	3,721	260	1,590	10	1,666
New York.....	117	4,529	235	2,156	0	0	110	5,110	267	1,889	1	625	115	5,137	325	1,406	1	1,500
North Carolina.....	603	1,905	645	1,206	9	647	534	2,015	806	1,227	8	466	563	2,070	908	1,267	133	777
North Dakota.....	162	3,461	232	1,503	42	589	230	4,132	344	1,171	9	671	235	4,482	357	1,061	25	928
Ohio.....	219	3,320	223	1,704	1	275	209	4,242	163	1,664	1	955	190	3,828	163	1,314	25	1,177
Oklahoma.....	641	2,893	1,157	966	11	392	470	3,707	818	1,156	10	530	442	3,697	979	947	24	904
Oregon.....	147	3,108	234	1,631	0	0	90	3,720	253	1,855	3	6,845	72	4,188	179	1,659	7	3,465
Pennsylvania.....	232	2,995	285	1,490	5	490	164	3,748	314	1,573	0	0	141	3,912	298	1,569	7	1,364
Rhode Island.....	0	0	1	1,500	0	0	0	0	2	1,925	0	0	0	0	0	0	0	0
South Carolina.....	390	1,576	242	1,117	1	985	319	2,176	417	1,122	0	0	289	1,820	495	1,025	308	449
South Dakota.....	119	4,235	290	1,711	1	0	225	4,356	237	1,594	4	800	360	4,468	430	1,107	5	722
Tennessee.....	350	1,698	403	958	9	414	266	2,036	401	851	4	341	234	1,949	297	708	11	431
Texas.....	599	3,631	1,366	1,407	26	895	682	4,147	1,110	1,436	32	734	919	4,135	590	1,631	12	1,025
Utah.....	118	2,663	224	1,379	1	5,550	87	3,215	218	1,532	1	1,260	62	3,373	221	1,349	2	1,975
Vermont.....	24	5,242	36	2,173	0	0	15	5,495	41	1,630	0	0	22	4,655	47	1,356	0	0
Virginia.....	223	1,810	247	1,003	3	359	149	2,191	220	1,009	11	528	136	2,251	254	898	66	482
Washington.....	157	3,808	289	2,336	1	920	164	4,581	266	2,337	0	0	158	4,895	325	2,046	3	2,543
West Virginia.....	97	2,515	124	1,403	3	200	114	2,831	114	1,548	2	432	118	2,340	186	1,189	6	1,750
Wisconsin.....	294	3,494	460	1,291	4	295	245	4,374	426	1,319	0	0	276	4,065	368	974	2	5,250
Wyoming.....	113	4,102	456	1,822	2	1,230	116	4,556	449	1,817	1	260	115	4,479	391	1,674	4	1,858
Alaska.....	7	3,771	2	2,100	0	0	2	5,250	3	1,967	0	0	5	2,770	1	2,500	0	0
Hawaii.....	21	2,105	20	1,042	1	1,000	15	2,597	10	1,120	0	0	13	2,225	31	1,938	0	0
Puerto Rico.....	100	1,234	150	1,363	4	206	53	1,753	147	1,479	0	0	80	1,964	154	1,470	0	0
Virgin Islands.....	2	775	1	1,650	1	720	1	3,000	0	0	0	0	2	3,290	0	0	0	0

1/ Does not include loans from state rural rehabilitation corporation funds.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table III - Production and Subsistence Loans, Maturities and Collections,
Cumulative Through June 30, 1954 1/

State and territory	Cumulative loan obligations	Cumulative advances	Matured principal	Collections			Principal		Unpaid principal balance	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
	1	2	3	4	5	6	7	8	9	10
U. S. Total.....	\$753,997,041	\$753,935,844	\$491,411,719	\$160,246,975	\$42,458,357	\$502,705,332	\$2,011,018	\$256,551	\$291,421,300	93.6
Alabama.....	25,349,124	25,186,133	18,440,420	17,310,769	1,018,185	18,328,954	58,830	10,499	7,806,035	93.9
Arizona.....	3,368,873	3,453,376	2,044,420	1,879,754	2,025,757	2,025,757	1,556,776	0	1,556,776	91.9
Arkansas.....	31,642,415	31,139,304	22,165,735	20,552,150	1,604,093	22,156,243	85,793	4,649	10,468,712	92.7
California.....	13,211,690	14,003,895	9,127,492	8,395,925	847,483	9,243,408	9,243,408	307	5,530,499	92.0
Colorado.....	18,417,091	18,285,997	11,812,423	10,652,045	1,004,317	11,656,362	26,326	8,155	7,599,471	90.2
Connecticut.....	717,252	764,415	452,727	450,783	41,204	491,987	2,200	2,841	308,591	99.6
Delaware.....	447,627	457,863	299,923	253,085	35,712	288,797	0	0	204,778	84.4
Florida.....	10,568,941	10,693,943	7,305,033	6,430,018	475,135	6,913,153	67,410	5,411	4,183,026	88.1
Georgia.....	29,892,122	29,945,235	21,945,420	20,335,480	1,186,440	21,521,920	205,875	13,739	9,337,531	92.7
Idaho.....	18,155,143	18,244,666	10,594,532	10,104,347	1,105,032	11,209,379	5,254	4,857	8,130,208	95.4
Illinois.....	16,305,243	16,463,664	9,607,492	9,370,199	1,097,524	10,467,723	24,352	2,815	7,065,298	97.5
Indiana.....	11,373,915	11,546,834	6,635,106	6,428,811	747,353	7,176,164	30,447	7,006	5,080,570	96.9
Iowa.....	15,840,029	15,960,306	8,735,950	8,742,663	1,012,632	9,755,295	26,034	1,600	7,189,809	100.1
Kansas.....	14,803,924	14,918,511	8,406,372	8,039,152	991,995	9,031,150	30,433	2,680	6,846,234	91.3
Kentucky.....	15,165,768	15,952,359	9,882,993	9,260,235	931,200	10,191,435	16,302	2,256	5,831,486	93.1
Louisiana.....	25,347,886	25,267,757	18,668,238	17,901,588	1,055,923	18,957,511	66,908	4,662	7,294,599	95.9
Maine.....	10,773,621	10,728,643	6,253,968	6,161,449	494,452	6,655,901	16,773	0	4,548,421	94.4
Maryland.....	5,153,160	5,185,763	3,013,017	2,719,657	388,476	3,108,133	6,853	0	2,459,053	90.3
Massachusetts.....	1,042,046	1,046,819	712,002	712,002	68,173	780,175	4,518	1,650	328,649	96.4
Michigan.....	16,426,041	16,503,424	9,317,695	8,930,971	1,332,758	10,263,729	48,334	4,052	7,520,067	95.8
Minnesota.....	20,016,431	20,057,906	11,464,799	11,308,516	1,421,721	12,730,237	18,870	10,618	8,721,902	98.6
Mississippi.....	30,703,130	30,569,104	21,004,273	20,950,865	1,29,690	20,950,865	129,073	5,153	10,954,013	92.7
Missouri.....	25,379,859	25,379,859	15,950,106	15,192,389	1,564,961	16,757,350	34,780	301	10,152,389	95.2
Montana.....	19,678,439	19,623,164	12,107,963	11,208,404	1,170,656	12,379,060	7,931	3,517	8,403,312	92.6
Nebraska.....	11,616,317	11,625,602	6,887,070	6,783,583	756,728	7,540,311	14,646	4,316	4,823,057	98.5
Nevada.....	1,350,154	1,323,041	799,008	717,059	90,143	807,202	7,787	902	597,293	89.7
New Hampshire.....	1,848,990	1,933,072	974,502	929,603	139,328	1,068,931	7,328	0	896,141	95.4
New Jersey.....	5,108,042	5,197,206	3,482,722	3,197,530	346,563	3,544,093	8,960	12,555	1,977,161	91.8
New Mexico.....	10,382,010	10,735,124	6,822,611	5,550,603	548,097	6,098,700	34,509	9,983	2,140,029	81.4
New York.....	14,003,199	14,110,917	7,863,235	7,120,826	1,061,820	8,182,646	36,581	12,472	6,941,238	90.6
North Carolina.....	39,883,540	39,825,577	30,536,164	29,563,912	1,550,481	31,114,393	130,274	14,251	10,117,140	96.8
North Dakota.....	14,638,360	14,476,576	8,067,733	7,343,224	845,240	8,188,464	20,157	5,578	7,107,617	91.0
Ohio.....	11,086,376	11,228,976	6,453,066	6,203,532	779,613	6,983,145	37,712	9,157	4,978,575	96.1
Oklahoma.....	39,399,841	38,866,261	24,656,245	23,370,059	2,544,930	25,914,989	57,751	1,920	15,436,531	94.8
Oregon.....	8,769,284	8,773,188	5,933,091	5,565,785	561,819	6,127,604	17,765	0	3,189,618	93.8
Pennsylvania.....	13,204,805	13,188,785	7,332,957	6,963,617	1,006,513	7,970,130	15,994	40,280	6,168,894	94.3
Rhode Island.....	176,191	183,850	135,460	128,622	13,892	142,514	409	0	54,819	95.0
South Carolina.....	26,835,328	26,814,107	21,146,271	19,798,584	884,394	20,682,978	200,145	7,715	6,807,663	93.6
South Dakota.....	14,358,601	14,289,622	7,470,314	6,888,181	918,701	7,806,882	11,744	460	7,449,241	91.4
Tennessee.....	13,015,765	13,083,866	9,067,161	8,595,024	741,829	9,336,853	19,055	982	4,468,805	94.8
Texas.....	63,107,972	63,361,465	43,878,027	38,683,746	3,179,753	41,863,499	276,161	10,953	24,390,605	88.2
Utah.....	6,076,369	6,082,823	4,159,023	3,998,654	490,183	4,488,837	8,797	765	2,974,607	93.7
Vermont.....	2,359,976	2,331,275	1,367,319	1,335,927	195,145	1,531,072	2,043	0	993,305	97.7
Virginia.....	8,379,892	8,393,679	5,591,673	5,206,051	418,889	5,624,940	15,834	1,924	3,169,870	93.1
Washington.....	12,423,656	12,562,650	7,238,862	6,665,517	746,559	7,412,076	10,304	4,567	5,882,262	92.1
West Virginia.....	5,318,561	5,283,538	2,534,092	2,455,354	320,690	2,776,044	3,171	3,515	2,821,498	96.9
Wisconsin.....	18,593,654	18,545,455	10,480,243	10,572,749	1,420,763	11,993,512	6,132	0	7,966,574	100.9
Wyoming.....	14,416,699	14,268,229	9,403,801	8,591,004	861,235	9,452,239	9,505	0	5,667,720	91.4
Alaska.....	221,429	243,661	172,812	134,127	22,620	156,747	0	0	109,534	77.6
Hawaii.....	1,073,100	1,067,993	742,375	722,795	94,609	817,404	2,650	0	437,545	84.6
Puerto Rico.....	14,844,622	14,844,622	11,418,358	11,546,679	686,938	12,232,617	50,957	2,900	3,244,089	101.1
Virgin Islands.....	168,425	168,425	103,105	99,565	12,112	111,677	20	0	68,840	96.5

1/ Loans made by Farmers Home Administration subsequent to October 31, 1946.

Table IV - Rural Rehabilitation Loans of the Farm Security Administration, Including
Maturities and Collections, Cumulative Through June 30, 1954

State and territory	Loan advances October 31, 1946	Matured principal	Collections		Principal		Outstanding principal balance of loan advances	Ratio of total collections to loan advances	Ratio of principal repayments to matured principal
			Principal repayments	Interest payments	Total	Write-offs			
	1	2	3	4	5	6	7	8	9
U. S. Total.....	\$1,004,901,875	\$1,004,511,270	\$89,186,070	\$123,981,476	\$1,013,167,146	\$75,718,412	\$1,880,531	\$38,116,862	100.8%
Alabama.....	43,556,954	43,556,954	32,590,423	4,806,401	37,397,024	8,908,146	52,018	2,006,167	95.9
Arizona.....	4,088,137	4,088,137	528,963	528,963	4,132,388	266,376	23,669	1,94,667	88.2
Arkansas.....	44,895,819	44,823,418	38,572,214	4,167,331	42,739,545	4,253,061	64,810	1,965,734	95.3
California.....	21,852,173	21,841,678	2,860,473	2,860,473	20,220,194	3,233,787	56,234	1,202,431	92.5
Colorado.....	26,961,588	26,958,671	23,508,068	3,730,083	27,238,151	2,057,962	90,540	1,305,018	101.0
Connecticut.....	1,458,454	1,458,454	1,262,500	162,949	1,425,449	127,666	18,248	50,040	97.7
Delaware.....	762,663	762,663	658,991	117,831	776,822	11,557	758	91,357	101.9
Florida.....	14,034,123	14,034,749	10,138,769	1,921,106	12,109,875	2,287,607	71,309	1,487,438	86.3
Georgia.....	40,782,593	40,782,593	35,616,986	4,546,986	35,616,986	6,980,418	133,747	2,980,418	76.7
Idaho.....	18,160,682	18,143,577	17,367,682	2,227,116	19,594,798	498,192	16,777	276,031	107.9
Illinois.....	22,157,313	22,157,313	20,616,492	3,054,791	23,671,283	1,121,605	26,897	392,319	106.8
Indiana.....	17,694,034	17,694,034	16,795,662	2,333,260	19,128,922	605,675	19,388	273,309	108.1
Iowa.....	25,762,365	25,762,365	25,118,763	3,377,291	28,496,054	568,972	19,771	54,839	110.6
Kansas.....	29,777,257	29,775,734	27,539,795	1,774,362	29,314,157	1,374,633	23,918	638,911	107.2
Kentucky.....	14,606,416	14,600,541	14,161,688	1,653,050	15,814,738	322,844	14,182	107,702	108.3
Louisiana.....	34,272,804	34,272,804	28,834,971	3,342,099	32,177,070	3,628,655	108,523	1,710,655	93.9
Maine.....	14,090,957	14,090,957	12,236,017	1,953,270	13,739,287	1,479,323	4,594	330,623	87.1
Maryland.....	4,353,229	4,353,229	3,776,679	628,104	4,404,953	137,290	2,248	436,812	86.8
Massachusetts.....	2,035,982	2,035,982	1,774,362	266,414	2,040,796	198,047	15,649	47,904	100.2
Michigan.....	19,560,167	19,560,167	18,008,148	2,881,420	20,889,568	823,293	8,234	720,492	106.8
Minnesota.....	28,152,738	28,146,664	27,162,077	4,192,128	31,354,205	601,549	28,760	360,352	111.4
Mississippi.....	47,327,858	47,327,858	39,371,175	4,577,175	43,948,350	5,694,963	96,516	2,204,572	92.9
Missouri.....	36,455,994	36,444,144	34,914,485	4,914,485	39,828,970	1,538,432	34,086	142,332	108.0
Montana.....	23,243,206	23,243,206	20,888,049	3,459,860	24,348,909	1,343,542	119,487	1,501,528	104.6
Nebraska.....	27,321,765	27,321,765	25,332,531	4,359,700	29,692,231	1,497,464	31,520	463,543	108.7
Nevada.....	1,768,516	1,768,516	1,582,494	240,501	1,822,995	81,859	837	103,336	103.1
New Hampshire.....	2,608,514	2,608,514	2,327,163	443,228	2,620,391	237,941	2,768	136,782	102.8
New Jersey.....	4,057,656	4,057,656	3,757,769	579,431	3,737,250	238,435	11,921	619,421	92.1
New Mexico.....	9,686,404	9,686,404	8,425,070	1,215,861	9,640,931	680,276	25,702	555,356	99.5
New York.....	16,369,420	16,369,420	13,964,803	2,508,540	16,473,343	1,104,201	76,407	1,204,009	101.2
North Carolina.....	37,629,557	37,599,403	34,626,916	2,746,469	37,373,405	2,001,180	69,303	930,158	99.3
North Dakota.....	13,787,973	13,787,973	17,207,891	3,013,808	20,221,699	948,976	33,822	577,204	107.7
Ohio.....	18,220,910	18,220,910	16,920,695	2,757,603	19,678,378	938,889	45,343	315,953	108.0
Oklahoma.....	55,147,039	55,147,039	51,691,957	6,231,387	57,923,354	2,092,767	44,785	1,317,526	105.0
Oregon.....	12,092,867	12,092,867	10,893,808	1,401,813	12,295,621	740,816	9,751	458,492	90.0
Pennsylvania.....	11,713,309	11,713,309	10,644,548	1,840,905	12,485,453	642,909	101,135	324,717	106.6
Rhode Island.....	465,069	465,069	408,091	74,621	482,712	30,788	1,317	24,873	103.8
South Carolina.....	22,312,386	22,312,386	16,680,752	2,437,141	19,117,893	3,690,430	40,604	1,900,800	85.7
South Dakota.....	29,181,311	29,181,311	27,083,556	5,332,458	32,416,014	1,192,713	23,047	881,995	111.1
Tennessee.....	12,530,031	12,530,031	11,863,200	1,241,462	13,104,662	294,653	3,180	186,998	106.1
Texas.....	93,385,139	93,385,034	80,895,315	8,732,795	89,628,110	8,033,603	162,633	4,293,588	96.0
Utah.....	10,228,743	10,228,743	9,563,911	1,626,271	11,204,182	436,648	37,747	194,991	93.7
Vermont.....	3,153,671	3,153,671	2,941,998	463,070	3,405,068	76,327	3,479	129,867	108.0
Virginia.....	10,541,188	10,541,188	9,308,991	1,211,347	10,520,338	739,347	28,328	464,055	99.8
Washington.....	16,090,095	16,090,095	13,773,431	1,931,112	15,704,573	1,182,292	29,032	1,059,300	97.6
West Virginia.....	6,359,054	6,359,054	5,891,620	1,209,397	7,100,627	340,667	20,864	106,323	111.7
Wisconsin.....	23,293,892	23,293,892	22,539,945	3,022,907	25,562,952	230,804	12,400	510,683	109.7
Wyoming.....	18,636,233	18,636,233	17,802,330	2,681,003	20,483,333	400,439	21,769	611,595	109.8
Alaska.....	465,069	465,069	283,550	120,855	404,405	1,025	0	180,524	87.0
Hawaii.....	536,524	536,524	521,126	68,714	589,840	6,270	0	9,128	109.9
Puerto Rico.....	6,192,972	6,192,972	5,699,491	577,658	6,277,149	377,247	2,014	114,220	101.0
Virgin Islands.....	136,239	136,239	113,216	18,534	131,750	17,374	0	5,649	97.0

Note: Advances by states include transfers of loans between states for collection purposes.

Soil and Water Conservation Loans

1. Changes in Program Coverage: Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, provides for extending the water facilities loan program to the entire Nation, and for increasing the limit on the size of loans to incorporated associations from \$100,000 to \$250,000. In addition, the insuring of loans made by private lenders is authorized. Public Law 597 also contains a new provision of loans for soil conservation purposes.

During the 1954 fiscal year loan funds of \$6,500,000 were authorized to be borrowed from the Secretary of the Treasury. Including a supplemental authorization of \$5,000,000, a total of \$11,500,000 is authorized for direct loans in 1955 under the amended Act. Insured loans are authorized in the amount of \$25,000,000 in any one year.

2. Soil and Water Conservation Loans: Under the authorities of the amended Act, loans will be made in 1955 throughout the Nation to individuals and associations for the following purposes: (1) for irrigation water and irrigation facilities; (2) for farmstead water and farmstead water facilities; (3) for the establishment of soil conservation practices; and (4) for drainage facilities. Although loans for irrigation and farmstead water purposes have previously been designated as water facilities loans, these loans and all loans made under the amended authority will be known in the future as soil and water conservation loans.

All loans will be scheduled for repayment within the shortest period consistent with the ability of the borrowers to pay. The repayment period for individuals may not exceed 20 years and that for associations may not exceed 40 years. The interest charge on direct loans will be 4 1/2 percent. On insured loans, the borrower will pay 3 1/2 percent interest to the lender and a 1 percent insurance and administrative expense charge. The principal indebtedness for any individual borrower may not exceed \$25,000 and for any association may not exceed \$250,000. Loans may be made only to individuals and associations unable to borrow at reasonable rates and terms from private or cooperative credit sources.

3. Applications: The demand for water facilities farmstead loans has increased constantly throughout the Western region since inception of the water facilities program, and it is anticipated that a similar increase in demand for farmstead water supplies will occur throughout the Eastern section of the country.

Demand for individual irrigation loans in the Western area is reflecting the efforts of dry land farmers to prevent losses of income from prolonged drought through installation of irrigation facilities, the need for irrigation systems on reclamation projects, and the need for funds to rehabilitate and enlarge existing systems. Since the benefits of irrigation farming as a means of preventing loss due to the lack of precipitation at the proper time

are rapidly being accepted in the less arid sections of the country, a sizeable demand is expected during the 1955 fiscal year for irrigation loans in the Eastern States not previously covered by the water facilities program.

The demand for loans from incorporated water associations arises from both those associations which supply farmstead water facilities to groups of farmers and from those that are carrying out irrigation distribution operations. In many areas, particularly in the Western section of the country, sources of water for either farmstead or irrigation are beyond the reach of the individual farmer from the standpoint of cost and accessibility. Through the use of incorporated water associations, the resources of a number of farmers can be pooled in order to make the sizeable investments necessary for establishing the needed water systems.

4. Number and Amount of Loans: During the 1954 fiscal year, approximately 23 percent of the loan funds were used for group loans and 77 percent for loans to individuals. The table below shows the number and amount of loans made in fiscal year 1954 and estimated for the 1955 and 1956 fiscal years. (See Table I for cumulative loans through the 1954 fiscal year.)

	<u>Loans to individuals</u>		<u>Loans to groups</u>		
	<u>Initial</u>	<u>Supple- mental</u>	<u>Initial</u>	<u>Supple- mental</u>	<u>Total</u>
1954 fiscal year:					
Number	1,039	141	36	7	1,223
Amount obligated	\$4,705,880	\$296,486	\$1,410,050	\$87,550	\$6,499,966
Estimated 1955 fiscal year:					
Direct:					
Number	2,230	155	55	9	2,449
Amount	\$7,800,000	\$310,000	\$3,300,000	\$90,000	\$11,500,000
Insured:					
Number	2,430	0	20	0	2,450
Amount	\$7,300,000	0	\$1,200,000	0	\$8,500,000
Estimated 1956 fiscal year:					
Direct:					
Number	2,230	155	55	9	2,449
Amount	\$7,800,000	\$310,000	\$3,300,000	\$90,000	\$11,500,000
Insured:					
Number	7,300	600	40	0	7,940
Amount	\$22,000,000	\$600,000	\$2,400,000	0	\$25,000,000

As of June 30, 1954, loans had been made to 15,244 individuals and 248 groups, serving approximately 11,000 users. Thus the cumulative number of individuals served under this program is about 26,250.

5. Collections: Since the inception of the Water Facilities Program, 8,250 individual borrowers have paid their accounts in full and 14 group loans have also been paid in full. The following statement shows repayment progress cumulative since the inception of the program in 1939 to June 30, 1954:

Loan Advances and Repayments Cumulative to June 30, 1954

<u>Loan Advances</u>	<u>Matured Principal</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Ratio of Principal Repayments to Matured Principal</u>
\$33,843,446	\$13,265,223	\$13,413,661	\$1,974,058	\$15,387,719	101.1%

The total cumulative gross delinquencies on these loans are \$388,018 or 2.9 percent of the total maturities. These loans may be amortized over the productive life of the security but not to exceed 20 years in the case of individual loans and up to 40 years in the case of group loans.

6. Progress of Borrowers: Some indication of the production and financial progress made by water facilities borrowers is apparent from the following data taken from reports of borrowers who repaid their loans in the 1953 fiscal year and continued farming:

A. Borrowers With Loans for Irrigation:

	<u>Year Before Loan</u>	<u>1953 Fiscal Year</u>	<u>Percent Increase</u>
(1) <u>Crop and livestock production</u>			
Corn - bushels per acre	23.0	47.6	107.0
Small grain - bushels per acre	18.2	20.2	11.0
Legume Hay - tons per acre	2.1	2.9	38.1
Milk - production per cow	5,407	6,633	22.7
(2) <u>Income and net worth per farm</u>			
Gross cash farm income	6,545	11,928	82.2
Net worth	16,618	32,093	93.1

B. Borrowers With Farmstead Only Loans:

	<u>Year Before Loan</u>	<u>1953 Fiscal Year</u>
Percent hauling water from off farm	49.6	1.3
Percent with water piped into house	6.3	80.7
Percent with water piped to barn or barnyard	5.5	80.3



UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table I - Water Facilities Loans to Individuals and Groups - Number of Loans and Average Amount, 1952, 1953 and 1954 Fiscal Years and Cumulative From Inception of Program Through June 30, 1954

State	1952 fiscal year				1953 fiscal year				1954 fiscal year				Cumulative through June 30, 1954			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
U. S. Total.....	1,141	\$3,047	133	\$1,758	1,173	\$3,934	121	\$2,264	1,039	\$4,529	141	\$2,101	15,244	\$1,678	2,563	\$787
Arizona.....	46	5,650	7	2,103	49	7,966	5	5,780	70	7,338	5	3,560	332	4,383	56	1,815
California.....	116	4,223	10	2,805	78	4,820	9	3,856	72	5,186	11	1,845	827	2,905	108	1,320
Colorado.....	69	3,375	11	1,369	81	4,707	11	2,418	63	4,956	9	1,796	775	2,095	87	1,170
Idaho.....	51	2,380	14	1,123	92	3,384	6	2,105	97	3,571	14	1,412	1,179	1,457	172	714
Kansas.....	18	2,068	4	2,375	44	4,826	3	1,667	55	5,579	9	3,177	620	1,694	65	865
Montana.....	73	3,138	11	1,129	85	3,091	17	1,964	66	3,209	21	1,957	810	1,966	123	1,172
Nebraska.....	29	4,654	2	1,200	63	5,894	5	3,260	77	6,059	2	2,385	757	2,216	46	1,253
Nevada.....	7	3,264	2	1,850	4	5,000	0	0	4	4,700	2	2,850	63	2,047	17	1,440
New Mexico.....	58	4,463	7	2,295	58	5,166	4	3,555	59	4,442	7	2,537	527	2,462	164	773
North Dakota...	37	1,656	1	1,000	49	1,946	6	832	32	1,657	2	805	469	913	36	517
Oklahoma.....	150	1,876	10	2,536	168	2,902	12	1,440	111	5,147	18	2,041	1,958	1,111	364	460
Oregon.....	97	2,837	6	2,075	60	3,533	4	2,452	43	3,502	3	1,805	861	1,609	89	799
South Dakota...	11	1,818	0	0	24	4,528	1	5,375	19	3,712	7	4,100	455	1,074	39	951
Texas.....	160	2,331	9	1,163	136	3,590	5	887	141	4,083	1	2,014	2,872	1,258	848	545
Utah.....	47	3,222	15	1,644	47	3,701	17	1,418	42	3,735	15	1,645	783	1,631	126	1,212
Washington.....	136	3,156	21	1,901	91	3,496	13	1,845	59	3,468	10	2,158	1,003	2,209	130	1,222
Wyoming.....	36	2,741	3	767	44	2,763	3	4,070	29	3,846	5	3,210	953	1,104	93	770
U. S. Total.....	33	\$35,358	9	\$8,078	33	\$30,411	8	\$6,688	36	\$39,168	7	\$12,507	248	\$25,800	66	\$7,907
Arizona.....	1	60,000	0	0	0	0	0	0	0	0	0	0	9	28,556	3	20,833
California.....	0	0	1	13,000	1	22,500	0	0	1	100,000	1	12,800	6	37,583	4	11,575
Colorado.....	5	48,000	2	7,200	3	23,700	1	5,000	4	21,888	0	0	35	21,810	11	8,491
Idaho.....	3	56,473	2	2,900	0	0	2	8,500	1	50,000	1	34,000	36	21,569	13	7,657
Kansas.....	0	0	0	0	0	0	0	0	0	0	0	0	1	27,000	0	0
Montana.....	2	50,000	1	16,700	3	9,333	1	5,300	2	62,500	0	0	17	26,752	3	9,833
Nevada.....	1	18,400	0	0	2	99,500	1	4,500	1	50,000	0	0	9	42,511	1	4,500
New Mexico.....	2	20,500	0	0	2	3,000	0	0	2	62,500	0	0	17	23,717	3	2,233
North Dakota...	1	15,000	0	0	0	0	0	0	0	0	0	0	1	15,000	0	0
Oregon.....	1	70,000	0	0	3	33,157	0	0	3	58,333	0	0	14	32,749	2	3,688
Utah.....	4	43,992	1	14,800	4	35,175	1	1,950	10	20,520	3	9,667	43	25,177	14	8,102
Washington.....	13	21,310	2	4,000	15	25,519	1	13,000	11	44,073	2	5,875	55	24,636	10	4,635
Wyoming.....	0	0	0	0	0	0	1	6,750	1	7,500	0	0	5	39,460	2	6,125

Loans to Individuals

Loans to Groups

Table II - Water Facilities Loans, Maturities and Collections,
Cumulative as of June 30, 1954 1/

State	Cumulative loan obligations 2/	Cumulative loan advances 2/	Matured principal 3	Collections		Total	Principal			Ratio of principal repayments to matured principal 10
				Principal repayments 4	Interest payments 5		Write-offs 7	Judgments 8	Outstanding principal balance of loan advances 9	
U. S. Total.....	\$34,520,932	\$33,043,446	\$13,265,223	\$13,413,661	\$1,974,058	\$15,387,719	\$10,020	\$3,845	\$20,415,920	101.1%
Arizona.....	1,876,240	1,871,674	412,491	423,358	88,588	511,946	0	0	1,448,316	102.6
California.....	2,816,865	2,930,477	984,398	1,041,564	159,969	1,201,533	300	0	1,789,613	105.8
Colorado.....	2,561,942	2,542,274	853,066	840,476	143,475	983,951	765	0	1,701,033	98.5
Idaho.....	2,716,563	2,644,160	1,093,613	1,110,777	207,768	1,318,545	198	0	1,532,185	101.6
Kansas.....	1,133,603	1,137,007	415,767	399,719	48,529	448,248	667	0	730,621	96.1
Montana.....	2,220,742	2,184,151	820,351	802,685	134,083	936,768	0	0	1,381,466	98.9
Nebraska.....	1,735,505	1,737,804	676,374	691,184	75,203	766,387	174	0	1,046,446	102.2
Nevada.....	540,525	493,951	117,664	120,307	26,325	146,632	0	0	373,644	102.2
New Mexico.....	1,834,253	1,829,505	634,206	630,439	81,819	712,258	4,179	0	1,194,887	99.4
North Dakota.....	461,595	456,382	226,719	231,938	19,828	251,766	47	0	224,397	102.3
Oklahoma.....	2,343,326	2,342,697	973,499	996,022	99,094	1,095,116	639	0	1,346,036	102.3
Oregon.....	1,922,216	1,788,094	730,199	738,712	107,691	846,403	352	400	1,048,630	101.2
South Dakota.....	526,010	524,588	249,807	238,163	26,396	264,559	62	295	286,068	95.3
Texas.....	4,075,627	4,092,694	2,575,910	2,602,445	251,667	2,854,112	1,561	970	1,487,658	101.0
Utah.....	2,626,153	2,450,894	733,067	761,295	201,875	963,170	613	240	1,688,746	103.9
Washington.....	3,775,796	3,582,579	1,063,254	1,077,637	196,921	1,274,558	68	1,148	2,503,726	101.4
Wyoming.....	1,333,961	1,334,575	704,638	706,940	104,827	811,767	375	792	626,448	100.1

1/ Includes Water Facilities loans to individuals and groups.

2/ Amounts reflected are cumulative obligations from inception of the program, including \$3,035,258 obligations from "Loans, Grants and Rural Rehabilitation" funds. Loan advances represent charges to borrowers' accounts. The difference between obligations and advances represents unliquidated obligations, non-cash advances, and transfers of accounts between states for collection purposes.

(d) Disaster Loans, etc., Revolving Fund
Department of Agriculture

Summary of Activities and Changes in the Fund
(Obligation Basis)

	1954 <u>Actual</u>	1955 <u>Estimate</u>	1956 <u>Estimate</u>
Available funds:			
Balance from prior fiscal year	\$17,187,392	\$61,612,425	\$24,659,732
Addition to fund:			
Appropriation	130,000,000	- -	- -
Loans repaid	41,157,502	73,376,661	87,550,000
Interest collections and other income	1,212,005	3,221,846	4,210,500
Total available	<u>\$189,556,899</u>	<u>\$138,210,932</u>	<u>\$116,420,232</u>
Obligations:			
Lending activities:			
Loans made	\$93,460,793	\$104,000,000	\$40,570,000
Hay program	3,469,316	5,406,000	- -
Administrative expenses	2,014,365	4,145,200	2,489,450
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen	29,000,000	- -	- -
Balance available in subsequent year	<u>61,612,425</u>	<u>24,659,732</u>	<u>73,360,782</u>
Total accounted for	<u>\$189,556,899</u>	<u>\$138,210,932</u>	<u>\$116,420,232</u>

Significant Program Data

Authorization for Production Emergency Loans:

Public Law 38, approved April 6, 1949, abolished the Regional Agricultural Credit Corporation and authorized the Secretary to make production emergency loans to eligible farmers and stockmen in designated areas who have suffered damage as the result of floods, storms, freezes, drought, or similar disasters and who are unable to obtain needed credit from banks or other established sources to enable them to continue their operations. Public Law 38 also contained authorization for loans to bona fide fur farmers. This authorization expired June 30, 1953, except for further supplementary advances as needed to farmers presently indebted as authorized by Public Law 255, approved August 13, 1953. Public Law 665, 81st Congress, provided for the making of loans to orchardists in the State of Washington. This authorization expired August 5, 1953.

Authorization for Emergency Drought Assistance Programs:

Drought assistance programs are indicated below:

- (1) Production emergency loans
- (2) Economic emergency loans
- (3) Special livestock loans
- (4) Emergency assistance in furnishing feed and seed
- (5) Assistance to States in furnishing hay to eligible farmers
- (6) Assistance to States and local governments in carrying out programs of emergency wind erosion control
- (7) Additional assistance for wind erosion control practices under the 1954 Agricultural Conservation Program

Following are the authorizations for these programs:

Public Law 115, 83rd Congress, approved July 14, 1953, amended Public Law 38 to authorize additional assistance to farmers and stockmen through economic emergency loans, special livestock loans, and emergency assistance in furnishing feed and seed as follows:

1. Economic Emergency Loans. Loans at 3 percent interest may be made in any disaster area declared by the President under Public Law 875 (42 U.S.C. 1855), if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met temporarily by regularly established lending institutions, including the regular lending programs of the Farmers' Home Administration.
2. Special Livestock Loans. For a period of 2 years subsequent to July 14, 1953, loans may be made at 5 percent interest to established livestock producers who are temporarily unable to secure credit from recognized lenders and who have a reasonable chance of working out their difficulties with supplementary financing.
3. Emergency Assistance in Furnishing Feed and Seed. Feed for livestock or seeds for planting may be furnished to established farmers, ranchers or stockmen in connection with any major disaster determined by the President to warrant Federal assistance under Public Law 875 (42 U.S.C., 1855). Under this authority, feed grain and concentrates, principally cottonseed meal, corn, wheat, oats, and mixed feeds, were furnished at less than market cost to eligible farmers in designated areas through the facilities of the Commodity Stabilization Service and special State and local drought committees.

Special Emergency Loans. Public Law 727, approved August 31, 1954, authorizes the Secretary until June 30, 1955, to make special emergency loans in any area where he finds a need for credit which cannot be met by regular financial institutions, the Farmers' Home Administration under its regular loan programs, or through authorities contained in Public Law 38. The program is limited to \$15,000,000 to be financed from the Disaster Loan Revolving Fund.

Additional Appropriation to Disaster Loan Revolving Fund. Public Law 175, 83rd Congress, approved July 31, 1953, appropriated \$130,000,000 as an addition to the Disaster Loan Revolving Fund for the purposes of Public Law 115. Of this amount, \$40,000,000 was specified for the furnishing of feed including the charges already incurred under an allocation of \$8,000,000 from the President's Disaster Relief Fund, which was used to initiate the emergency feed program. The limitation of \$40,000,000 was subsequently increased (by Public Law 357, approved May 11, 1954) to \$50,000,000, and provision was made for furnishing emergency feed and seed assistance by means of advances to States or agencies thereof, or otherwise. In addition, \$20,000,000 was added to the regular production and subsistence loan funds of the Farmers' Home Administration.

Emergency Feed Program. On November 16, 1953, pursuant to the authority of Public Law 875, 81st Congress, the President directed the Commodity Credit Corporation to furnish supplies of feed acquired by it in carrying out price support operations for use in the drought emergency program, such supplies to be furnished without reimbursement from presently appropriated funds. The directive was effective from the inception of the program on June 26, 1953. Under the directive, costs incurred by the Corporation in handling, processing, shipping, and otherwise distributing supplies of feed were defrayed from the \$50,000,000 available under the Disaster Loan Revolving Fund for supplying emergency feed.

Emergency Assistance in Supplying Hay, Fiscal Years 1954 and 1955.

Another activity initiated by the Department under the authority of Public Law 875 and subsequently continued under authority of Public Law 115, is the execution of agreements with States to assist them in furnishing hay to eligible farmers. Under these agreements the Department contributes a definite sum to the State to defray one-half the cost of transportation of the hay (not to exceed \$10 per ton) and the State assumes full responsibility for purchasing and distributing the hay to farmers eligible under the emergency feed program. The hay program conducted in the fiscal year 1954 was financed from an allocation from the President's Disaster Relief Fund, which was subsequently reimbursed from the Disaster Loan Revolving Fund. A similar program inaugurated in 1955 is being financed from the balance of the \$50,000,000 made available in the Disaster Loan Revolving Fund for emergency feed and seed assistance.

Special Feed Grain Program, Fiscal Year 1955. Section 301 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83rd Congress) provides authority for the use of surplus grains of the Commodity Credit Corporation for the special feed grain program being conducted in the fiscal year 1955 in the disaster areas designated under Public Law 875. Under this program eligible farmers and ranchers, whose applications are approved by the local Farmers' Home Administration committee, purchase grain at a reduced cost of \$1.00 per hundredweight (prior to September 15, 1954, the reduction was 60 cents) below the local price. Administrative expenses and operating costs are financed from the balance of the \$50,000,000 made available in the Disaster Loan Revolving Fund for emergency feed programs. The law provides that handling and transportation costs in making delivery of the grain to central locations within each State may be borne by the Commodity Credit Corporation.

Assistance to States in Wind Erosion Control, Fiscal Year 1954. Under the general statutory authority of Public Law 875, the Department, in March 1954, was authorized to use a portion of the \$10,000,000 previously allocated to it from the President's Disaster Relief Fund for the hay program, to provide financial assistance on a reimbursable basis to States and local governments in carrying out their own programs of wind erosion control. Under the program \$200,000 was made available to Kansas under an agreement which expired on June 1, 1954. Kansas actually used \$5,800, and the balance of the \$200,000 was returned to the President's Disaster Relief Fund.

Special ACP Assistance in Drought Areas, Fiscal Years 1954 and 1955. The Third Supplemental Appropriation Act, 1954 (Public Law 357, 83rd Congress, approved May 11, 1954) provided an additional \$15,000,000 for the 1954 Agricultural Conservation Program to be used for payments to farmers who carry out emergency wind erosion control measures in counties designated by the Governors of the respective States with the approval of the Secretary of Agriculture.

Cumulative Activity Under the Various Loan Authorizations to June 30, 1954:

<u>Type of Loan</u>	<u>Principal Advances</u>	<u>Principal Maturities</u>	<u>Principal Repayments</u>	<u>Write-offs and Judgments*</u>		<u>Principal Outstanding</u>	<u>Interest Payments</u>	<u>Percent Principal Repayments to Maturities</u>
Production Emergency	\$156,308,927	\$120,748,848	\$107,891,970	\$176,463		\$48,240,494	\$3,068,316	89.4%
Economic Emergency	26,083,775	449,128	799,491	- -		25,284,284	5,372	178.0%
Fur	5,173,422	4,872,656	4,393,328	- -		780,094	213,150	90.2%
Orchard	267,130	267,130	264,240	- -		2,890	5,957	98.9%
Special Livestock	34,505,400	1,962,171	4,246,993	- -		30,258,407	158,176	216.4%

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* Includes \$21,450 write-offs and \$155,013 judgments.

1954 Program:

1. Lending Activities. During the 1954 fiscal year, a total of \$93,460,793 was obligated for production and economic emergency and special livestock loans.

The heaviest activity in both the emergency and special livestock programs occurred in the Southwest and Middle Great Plains States, where effects of the long-time drought were particularly serious. Special livestock loans were also made in most of the other States because of disadvantageous situations resulting from local adverse pasture and feed conditions, or because of low returns from livestock sales due to disadvantageous marketing conditions. Production emergency loans were prevalent in widely scattered areas where drought, flood, or other damage had occurred. Economic emergency loans were confined to 16 States in which disaster areas had been declared by the President under Public Law 875.

Emergency and special livestock loans obligated during the fiscal year 1954 were as follows:

	<u>Initial</u>		<u>Subsequent</u>		<u>Total</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Production emergency	16,598	\$22,779,877	7,150	\$8,960,292	23,748	\$31,740,169
Economic emergency	16,826	25,229,160	1,875	1,015,013	18,701	26,244,173
Fur	-	-	24	296,600	24	296,600
Orchard	-	-	2	15,290	2	15,290
Special livestock	3,445	33,975,438	441	1,189,123	3,886	35,164,561

2. Emergency Feed Program. Under this program, feed grain and concentrates, principally cottonseed meal, corn, wheat, oats, and mixed feeds were furnished at less than market cost to eligible farmers in designated areas through the facilities of the Commodity Stabilization Service and special State and local drought committees. At its peak (in March 1954) the program was active in 728 counties in 18 States and in certain designated areas of Hawaii. During the year a total of 795 counties were designated. By June 30, 1954, the program had terminated in all but two States, Colorado and New Mexico, in which it continued until July 15, 1954.

Losses incurred by the Commodity Credit Corporation on sales made under the program amounted to an estimated \$42,100,000. In addition, net obligations for freight, distribution, and other costs incident to supplying the feed--which were charged to the \$50,000,000 available in the Disaster Loan Revolving Fund--were \$29,000,000.

3. Assistance to States in Furnishing Hay. During fiscal 1954 the Department executed agreements with 12 drought disaster States to assist them in furnishing hay to eligible farmers. A total of \$6,344,500 was committed for advances to States for this purpose. The agreements provided that the Department contribute a definite sum to the State to defray one-half the cost of transportation of the hay (not to exceed \$10 per ton) and that the State assume full responsibility for purchasing and distributing the hay. The last of the hay agreements under this program expired on June 30, 1954. A total of \$4,037,500 was actually advanced to the States during the year, of which \$568,184 was recovered, leaving a net cost of \$3,469,316, as of June 30, 1954. Since that date additional recoveries of \$177,541 have been received, resulting in a net cost for the 1953 hay program of \$3,291,775. The program was originally financed from the allocation of \$10,000,000 from the President's Disaster Relief Fund, which was subsequently reimbursed by the Disaster Loan Revolving Fund.
4. Assistance to State and Local Wind Erosion Control Work. In March 1954, the Department was authorized to offer assistance to States and local governments in carrying out programs of wind erosion control. The program contemplated making funds available to States on a reimbursable basis, and \$2,500,000 of the \$10,000,000 previously allocated to the Department from the President's Disaster Relief Fund was set aside for this purpose. An agreement was executed with Kansas, providing for the advance of \$200,000. Of this amount, \$5,800 was used by the State. The program was terminated on June 1, 1954.
5. Special Agricultural Conservation Program Assistance in Drought Areas. As of June 30, 1954, there had been allocated for use in six States \$13,280,000 of the \$15,000,000 supplemental appropriation for the 1954 ACP program. These funds, which are available until December 31, 1955, are for payments to farmers who carry out emergency wind erosion control measures in counties designated by the Governors of the respective States with the approval of the Secretary of Agriculture.

1955 Program:

The Department of Agriculture, in cooperation with the States, is conducting in the fiscal year 1955, a practical program to help farmers and ranchers meet the serious problems that arise from prolonged drought. Continuation of severe drought conditions has brought about serious deterioration of pastures and ranges and a shortage of feed grains in some parts of the country, making it difficult for farmers and ranchers to maintain basic livestock herds.

Special programs in operation in 1955, in addition to the regular services of the Department, are:

- (a) Emergency loans through the Farmers' Home Administration
- (b) A special feed grain program
- (c) A Federal-State cooperative hay program
- (d) Special Agricultural Conservation Program assistance in drought areas.

As of January 26, 1955, 1,008 counties in 18 States had been designated as disaster areas for assistance under the emergency feed program. However, activity under this program had been suspended in 54 counties, leaving a net of 954 in which assistance was authorized as of that date. Emergency loans were authorized in 1,486 counties in 33 States as of that date, because of drought, storms and other adverse conditions.

1. Lending Activities. Production emergency and special livestock loans are being provided in 1955 on the same basis as in 1954. The demand for economic emergency loans in 1955 is much greater than was anticipated when the Budget was prepared due to (1) the designation of areas under Public Law 875 to a greater extent than estimated at that time and (2) the prolonged nature of the drought which makes such loans necessary. It has, therefore, been necessary to increase the estimate for such loans by \$18,000,000 and the estimate for administrative expenses to provide temporary assistance in processing the increased loans by \$150,000.

In addition, there is also available, pursuant to Public Law 727, approved August 31, 1954, \$15,000,000 of the Disaster Loan Revolving Fund for loans in any area where the Secretary finds a need for credit which cannot be met by the regular financial institutions. As of January 26, 1955, the entire State of North Dakota had been designated for assistance under this Act.

2. Special Feed Grain Program. Grains in surplus to the Commodity Credit Corporation are being supplied to applicants, whose eligibility is approved by the County FHA Committee, at a reduced cost. This cost initially was 60 cents per hundredweight below the local price. However, in order to make still further help available, the amount of assistance was increased, effective September 15, 1954. These grains are supplied at \$1.00 per hundredweight below the price prevailing locally. As of January 26, 1955, the program was in operation in 18 States. On January 26, 1955, the Department announced that in view of the availability of Spring pasture and forage, applications for feed assistance will end on February 15, 1955. Purchase orders on applications approved before the cut-off date may be issued for supplemental supplies for a period of 60 days, therefore activity may continue until the middle of April. Dealers, or other holders of dealer certificates, will continue to have 120 days from the date of issuance of the certificate to purchase replacement supplies from the Commodity Credit Corporation.
3. Federal-State Cooperative Hay Program. Under this program, similar to the one conducted in the previous year, contracts had been signed with 17 States as of January 26, 1955. The Department is making \$500,000 available in each of the States. These funds are for use in paying costs of transportation of hay, but not to exceed one-half the actual transportation cost or \$10 per ton, whichever is less. The States have the sole responsibility for the acquisition and distribution of the hay. On January 26, 1955, the Department announced that in view of the availability of Spring pasture and forage, the Government's contribution to transportation costs of hay would expire at midnight

of March 31, the date on which hay program contracts with States expire. The Department also announced that the railroad industry's contribution to the hay program -- a 50 percent reduction in the rate for hauling hay into designated areas -- would expire on February 15.

4. Special ACP Assistance. This assistance is continuing under the 1954 ACP program, for which the special supplemental appropriation of \$15,000,000 was provided in May 1954, for payments for wind erosion control practices.

Administrative Costs:

Administrative expenses charged to the Disaster Loan Revolving Fund during fiscal year 1954 totaled \$2,014,365. The fiscal year 1955 charges by the Farmers' Home Administration are expected to total \$3,086,500 of which \$636,500 will be used in connection with the payment of county committees for their work in certifying to the eligibility of applicants for emergency feed assistance. Operating costs of the Commodity Stabilization Service incident to the feed grain and hay programs in 1955 are estimated at \$1,033,700. Legal services to be performed by the Office of the Solicitor under this Fund for the loan programs are estimated at \$25,000.

The policy of absorbing, whenever possible, the added workload created by emergency loans will be continued in fiscal year 1955. Administrative expense charges are made to the Disaster Loan Revolving Fund only in those cases where the regular staff paid from the Farmers' Home Administration Salaries and Expenses Appropriation is not adequate to absorb the added workload. Temporary employees are used to the greatest possible extent in making and servicing emergency loans.

Table I - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended,
During 1954 Fiscal Year

State and territory	Production emergency loans		Economic emergency loans		Special livestock loans 1/		Fur loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U. S. Total.....	23,750	\$31,752,459	18,701	\$26,244,173	3,886	\$33,164,561	24	\$296,600	46,361	\$93,460,793
Initial loans.....	16,600	22,795,167	16,886	25,229,160	3,445	33,975,438	0	0	36,871	81,999,765
Subsequent loans.....	7,150	8,956,292	1,815	1,015,013	441	1,189,123	24	296,600	9,490	11,461,028
Alabama.....	108	62,791	201	194,590	15	154,875	0	0	324	412,256
Arizona.....	0	0	0	0	21	642,350	0	0	21	642,350
Arkansas.....	898	1,387,989	3,290	4,567,095	369	599,360	0	0	4,557	6,514,444
California.....	14	178,436	0	0	17	600,642	0	0	31	779,078
Colorado.....	483	1,128,222	84	132,405	223	3,711,870	7	160,350	802	5,132,987
Connecticut.....	0	0	0	0	0	0	0	0	0	0
Delaware.....	0	0	0	0	0	0	0	0	0	0
Florida.....	27	364,738	25	224,360	39	569,615	0	0	92	1,158,733
Georgia.....	36	25,625	0	0	32	276,300	0	0	68	301,925
Idaho.....	3	22,282	0	0	28	865,210	1	6,300	32	893,792
Illinois.....	0	0	0	0	2	18,600	0	0	2	18,600
Indiana.....	2	751	0	0	9	168,900	0	0	11	169,651
Iowa.....	0	0	0	0	2	4,000	0	0	2	4,000
Kansas.....	461	473,186	531	1,220,700	115	1,560,845	0	0	1,107	3,254,731
Kentucky.....	328	177,655	1,010	586,465	29	57,570	0	0	1,367	821,690
Louisiana.....	569	654,520	294	294,330	7	80,650	0	0	870	989,500
Maine.....	5	6,750	0	0	0	0	0	0	5	6,750
Maryland.....	0	0	0	0	0	0	0	0	0	0
Massachusetts.....	5	23,539	0	0	7	13,000	0	0	12	36,539
Michigan.....	9	34,732	0	0	2	13,000	7	61,535	16	109,267
Minnesota.....	2	9,743	0	0	4	21,296	0	0	6	31,039
Mississippi.....	579	1,293,645	325	573,605	5	29,195	0	0	909	1,886,525
Missouri.....	1,304	1,304,323	2,864	3,740,463	835	1,107,555	0	0	5,003	6,152,846
Montana.....	13	34,106	0	0	120	3,087,680	0	0	133	3,122,986
Nebraska.....	0	0	0	0	6	93,440	0	0	6	93,440
Nevada.....	0	0	0	0	46	863,155	0	0	46	863,155
New Hampshire.....	0	0	0	0	6	5,310	0	0	6	5,310
New Jersey.....	1	4,000	0	0	30	50,100	0	0	31	54,100
New Mexico.....	294	498,151	305	989,390	326	3,620,395	0	0	1,005	5,108,396
New York.....	6	107,700	0	0	35	40,465	2	32,900	43	181,065
North Carolina.....	2,158	1,397,710	657	417,610	1	3,315	0	0	2,816	1,818,695
North Dakota.....	4,541	3,400,916	0	0	5	17,835	0	0	4,546	3,418,751
Ohio.....	23	21,365	0	0	9	19,845	0	0	32	41,210
Oklahoma.....	1,033	963,462	1,184	974,870	204	2,296,415	0	0	2,421	4,234,747
Oregon.....	1	2,935	0	0	9	371,970	0	0	10	374,905
Pennsylvania.....	0	0	0	0	59	66,300	0	0	59	66,300
Rhode Island.....	0	0	0	0	0	0	0	0	0	0
South Carolina.....	878	903,105	0	0	1	7,870	0	0	879	910,975
South Dakota.....	1,448	1,166,125	0	0	76	1,015,945	0	0	1,524	2,181,670
Tennessee.....	526	280,075	890	516,505	29	39,420	0	0	1,385	866,080
Texas.....	7,734	15,538,629	6,906	11,720,625	965	11,253,025	0	0	15,605	38,512,279
Utah.....	2	2,725	0	0	40	572,206	1	1,000	43	575,931
Vermont.....	0	0	0	0	5	9,180	0	0	5	9,180
Virginia.....	244	265,381	113	99,440	63	178,425	0	0	420	543,246
Washington.....	7	94,052	0	0	0	0	4	23,915	11	77,967
West Virginia.....	1	800	1	1,000	42	24,515	0	0	44	26,315
Wisconsin.....	0	0	0	0	0	0	0	0	1	9,000
Wyoming.....	0	0	0	0	42	994,162	1	1,600	43	995,762
Alaska.....	0	0	0	0	0	0	0	0	0	0
Hawaii.....	0	0	0	0	6	37,875	0	0	6	37,875
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0
Orehard loans	2	15,290	0	0	0	0	0	0	2	15,290
Washington.....	2	15,290	0	0	0	0	0	0	2	15,290

1/ In addition, loans for \$2,117,645 had been processed by June 30, 1954, but had not been obligated.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table II - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended,
Cumulative From Inception of Each Program Through June 30, 1954

State and territory	Production Emergency loans from April 6, 1949		Economic Emergency loans from July 14, 1953		Special Livestock loans from July 14, 1953 1/		Pay loans from April 6, 1949		Total loans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U. S. Total	119,460	\$1,567,728,849	18,701	\$26,244,173	3,886	\$35,164,561	614	\$5,052,364	112,661	\$223,192,917
Initial loans 2/	96,969	1,267,567,933	16,482	25,229,140	3,145	33,975,438	324	2,973,727	117,563	186,646,293
Subsequent loans	22,492	30,160,881	1,875	1,015,013	441	1,189,123	290	2,105,637	25,098	34,550,624
Alabama.....	5,616	3,836,195	201	194,590	15	154,875	0	0	5,832	4,185,660
Arizona.....	28	66,420	0	0	21	642,350	0	0	49	708,770
Arkansas.....	12,018	18,532,989	3,290	4,567,095	369	599,360	0	0	15,677	23,699,354
California.....	877	4,304,557	0	0	17	60,642	3	16,600	877	4,921,799
Colorado.....	919	2,359,169	84	132,405	223	3,711,870	133	1,278,397	1,359	7,481,921
Connecticut.....	30	95,415	0	0	0	0	0	0	30	95,415
Delaware.....	0	0	0	0	0	0	0	0	0	0
Florida.....	440	2,881,553	26	224,380	39	569,615	0	0	505	3,675,548
Georgia.....	7,334	7,765,602	0	0	32	276,300	0	0	7,366	8,041,902
Iaho.....	155	505,735	0	0	28	665,210	21	88,240	204	1,459,165
Illinois.....	63	82,040	0	0	2	18,600	21	443,260	86	944,800
Indiana.....	41	24,604	0	0	9	168,900	14	112,735	64	306,239
Iowa.....	271	216,651	0	0	12	4,000	0	0	273	220,061
Kansas.....	2,052	2,121,224	531	1,220,700	115	1,560,845	0	0	2,698	4,902,769
Kentucky.....	1,062	564,455	1,010	586,465	29	57,570	0	0	2,101	1,208,490
Louisiana.....	2,889	4,125,649	294	254,330	7	80,650	0	0	3,190	4,460,629
Maine.....	151	223,495	0	0	0	0	0	0	151	223,495
Maryland.....	0	0	0	0	0	0	0	0	0	0
Massachusetts.....	66	339,388	0	0	7	13,000	1	5,000	74	357,388
Michigan.....	24	57,807	0	0	2	13,000	75	658,192	101	728,999
Minnesota.....	618	451,035	0	0	4	21,296	15	87,883	637	560,264
Mississippi.....	12,873	17,949,994	325	573,685	5	29,195	0	0	13,203	18,552,774
Missouri.....	10,187	15,343,356	2,884	3,740,463	835	1,107,555	0	0	13,886	20,191,374
Montana.....	368	678,097	0	0	120	3,088,880	1	3,000	489	3,767,977
Nebraska.....	73	107,397	0	0	6	93,440	0	0	79	200,837
Nevada.....	40	405,760	0	0	46	863,155	0	0	86	1,268,915
New Hampshire.....	18	91,880	0	0	6	5,310	0	0	24	97,190
New Jersey.....	222	586,713	0	0	30	50,100	11	31,300	263	668,113
New Mexico.....	388	640,648	385	989,890	326	3,620,395	1	2,260	1,100	5,253,153
New York.....	227	1,568,979	0	0	35	40,465	9	122,638	271	1,732,082
North Carolina.....	5,349	3,655,355	657	4,17,610	1	3,315	0	0	6,007	4,076,280
North Dakota.....	8,923	6,136,831	0	0	5	17,835	0	0	8,928	6,154,666
Ohio.....	79	72,700	0	0	9	19,845	1	1,500	89	94,045
Oklahoma.....	6,428	4,852,944	1,184	974,870	204	2,296,415	0	0	7,816	8,124,229
Oregon.....	130	614,170	0	0	9	371,970	15	116,020	154	1,102,160
Pennsylvania.....	29	25,873	0	0	59	66,380	4	14,012	92	106,265
Rhode Island.....	25	81,247	0	0	0	0	0	0	25	81,247
South Carolina.....	10,658	6,903,109	0	0	1	7,870	0	0	10,659	6,910,979
South Dakota.....	4,018	3,017,638	0	0	76	1,015,545	3	15,000	4,097	4,048,183
Tennessee.....	3,202	1,960,502	830	546,585	29	39,420	0	0	4,061	2,546,507
Texas.....	20,262	38,290,923	6,906	11,720,625	965	11,253,025	0	0	28,133	61,264,573
Utah.....	119	538,498	0	0	40	572,864	134	494,045	293	1,604,716
Vermont.....	86	220,420	0	0	5	9,180	0	0	91	229,600
Virginia.....	330	2,159,742	113	99,440	63	178,425	0	0	514	2,437,607
Washington.....	136	511,625	0	0	0	0	77	473,225	213	984,850
West Virginia.....	9	26,765	1	1,000	42	24,515	0	0	52	52,280
Wisconsin.....	352	459,485	0	0	0	0	73	1,092,957	425	1,552,342
Wyoming.....	143	863,515	0	0	42	994,162	2	3,100	187	1,860,777
Alaska.....	0	0	0	0	0	0	0	0	0	0
Hawaii.....	54	76,130	0	0	6	37,875	0	0	60	114,005
Puerto Rico.....	22	69,370	0	0	0	0	0	0	22	69,370
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0
Orchard loans	48	267,130							48	267,130

1/ In addition, loans for \$2,117,645 had been processed by June 30, 1954, but had not been obligated on that date.

2/ The total number of initial loans is approximately the total number of farmers and stockmen assisted.

Disaster Loans, etc., Revolving Fund

Statement of Funds Available and Use, by Fiscal Year from Inception of Fund on April 16, 1949,
to June 30, 1954, and Estimates for Fiscal Years 1955 and 1956 a/

	1949	1950	1951	1952	1953	1954	1955 Estimated	1956 Estimated
Funds available:								
By appropriation:								
For establishment of revolving fund for production disaster loans and transfer of net assets (cash) of the Regional Agricultural Credit Corporation to the fund (P. L. 38, approved April 6, 1949) b/	\$45,494,334	- -	- -	- -	- -	- -	- -	- -
For flood rehabilitation in the Midwest area (P. L. 202, approved October 24, 1951)	- -	- -	- -	\$30,000,000	- -	- -	- -	- -
For assistance to farmers and stockmen through economic disaster loans, special livestock loans, and emergency assistance in furnishing feed and seed (P. L. 175, approved July 31, 1953)	- -	- -	- -	- -	- -	\$130,000,000	- -	- -
Balance available from prior fiscal year	- -	\$44,257,538	\$13,821,409	15,436,291	\$32,620,589	17,187,392	\$61,612,425	\$24,659,732
Receipts:								
Loan principal repayments:								
Production emergency loans	- -	1,293,772	21,016,406	19,215,624	28,596,432	35,438,399	34,375,661	26,000,000
Economic emergency loans	- -	- -	- -	- -	- -	770,629	20,700,000	26,300,000
Special livestock loans	- -	- -	- -	- -	- -	4,093,677	18,000,000	23,000,000
Special emergency loans	- -	- -	- -	- -	- -	- -	- -	12,000,000
Fur loans	- -	243,019	1,282,416	986,456	1,034,172	759,730	300,000	250,000
Orchard loans	- -	- -	5,420	92,245	74,580	88,674	1,000	- -
Regional Agricultural Credit Corporation loans	- -	18,624	86,233	41,694	21,316	6,393	- -	- -
Interest and other collections	- -	74,812	640,200	673,210	868,125	1,212,005	3,221,846	4,210,500
Total receipts	- -	1,630,227	23,030,675	21,009,229	30,594,625	42,369,507	76,598,507	91,760,500
Total available	45,494,334	45,887,765	36,852,084	66,445,520	63,215,214	189,556,899	138,210,932	116,420,232
Obligations:								
Loans made:								
Production emergency loans	974,948	29,833,887	19,198,873	31,488,775	43,236,557	31,740,169	31,850,000	30,000,000
Economic emergency loans	- -	- -	- -	- -	- -	26,244,173	33,000,000	10,000,000
Special livestock loans	- -	- -	- -	- -	- -	35,164,561	24,000,000	500,000
Special emergency loans	- -	- -	- -	- -	- -	- -	15,000,000	- -
Fur loans	239,442	1,746,890	1,093,702	902,490	766,865	296,600	150,000	70,000
Orchard loans	- -	- -	88,905	73,645	91,175	15,290	- -	- -
Hay program	- -	- -	- -	- -	- -	3,469,316	5,406,000	- -
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen	- -	- -	- -	- -	- -	29,000,000	- -	- -
Administrative expenses	22,406	485,579	1,034,313	1,360,021	1,933,225	2,014,365	4,145,200	2,489,450
Total obligations	1,236,796	32,066,356	21,415,793	33,824,931	46,027,822	127,944,474	113,551,200	43,059,450
Unobligated balance	44,257,538	13,821,409	15,436,291	32,620,589	17,187,392	61,612,425	24,659,732	73,360,782

a/ This statement reflects more recent estimates than are shown in the printed Budget. Also data are reflected on an obligation basis rather than the accrued income and expenditure basis used in the Budget. Accordingly figures will not agree in some cases with amounts shown in the Budget.

b/ In addition, net assets (other than cash) of \$363,811 were acquired from the Regional Agricultural Credit Corporation.

(e) Farm Tenant-Mortgage Insurance Fund,
Farmers' Home Administration

This budget schedule covers an account established pursuant to Section 11(a) and 12(e) (2) of the Bankhead-Jones Farm Tenant Act, as amended, which authorized the appropriation of not to exceed \$25,000,000 for the establishment of the mortgage insurance fund. The sum of \$1,000,000 was appropriated in the Department of Agriculture Appropriation Act, 1948, as the initial capital for this fund. The authority for insuring loans as contained in the Bankhead-Jones Farm Tenant Act is restricted to farm ownership loans under Title I. Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, also authorizes the use of this Fund for insuring loans for soil and water conservation purposes.

The initial amount of \$1,000,000 is supplemented by initial and annual charges collected from insured loan borrowers and by such initial fees for inspection, appraisal and other charges in connection with farm ownership loans as the Secretary of Agriculture finds necessary. One-half of the initial and annual charges collected as the premium for insurance, and such amounts as are appropriated to the Fund under Section 11(a), are available for payments with respect to insured loans. Pursuant to the authority contained in the Act, moneys not needed for current operations are being invested in direct obligations of the United States. The other one-half of the initial and annual charges, together with such fees for inspection, appraisal and other charges as the Secretary may determine in connection with farm ownership loans are available for administrative expenses in carrying out the insured loan programs. It is estimated that receipts derived from these sources during the fiscal year 1955 available for administrative expenses in 1956 will amount to approximately \$420,000.

Assets of the capital fund, including receivables and the amount of \$1,000,000 originally appropriated are estimated to be approximately \$3,530,000 at June 30, 1955.

The number of farm ownership loans insured each year from the beginning of the program in October 1947 through the third quarter of the fiscal year 1951 showed a steady increase. The number insured in 1952, 1953 and 1954 decreased as a result of the lack of investment capital due primarily to the low interest rate then in effect. Estimates for 1955 and 1956 show a marked increase, however, as a result of (1) the enactment of Public Law 521, approved July 22, 1954, which amends the Bankhead-Jones Farm Tenant Act to provide a flexible interest rate on insured loans, making this program more attractive to private lenders; (2) the establishment of "building improvements" loans which will be made primarily as insured rather than direct loans; and (3) the enactment of Public Law 597 extending the water facilities program to the entire Nation and authorizing the insuring of loans made by private lenders for soil and water conservation purposes. Insured loan activity since 1948 and estimated for 1955 and 1956 fiscal years are shown in the following table:

Loans Insured by Fiscal Year

Fiscal Year	Number of Initial Loans			Amount of Initial and Subsequent Loans		
	Farm Ownership	Soil and Water Conservation	Total	Farm Ownership	Soil and Water Conservation	Total
1948	338	- -	338	\$2,412,837	- -	\$2,412,837
1949	1,149	- -	1,149	7,937,241	- -	7,937,241
1950	2,191	- -	2,191	16,586,859	- -	16,586,859
1951	2,150	- -	2,150	17,596,050	- -	17,596,050
1952	1,103	- -	1,103	10,544,377	- -	10,544,377
1953	1,045	- -	1,045	10,710,606	- -	10,710,606
1954	873	- -	873	9,530,793	- -	9,530,793
1955 (est.)	2,854	2,450	5,304	24,000,000	\$8,500,000	32,500,000
1956 (est.)	5,500	7,340	12,840	45,000,000	25,000,000	70,000,000

There are no employees paid from this fund.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Farm Tenant-Mortgage Insurance Fund, Department of Agriculture a/ - Revolving fund for payments with respect to insured mortgages under Section 12 and 13 of the Farmers' Home Administration Act of 1946 and Section 10(c) of the Act of August 28, 1937, as amended	\$708,699:	\$995,400:	\$1,480,000
Allotments from:			
Disaster Loans, etc., Revolving Fund, Department of Agriculture a/ - For making emergency loans to farmers and stockmen and for other purposes in accordance with provisions of Public Law 38, as amended, and Public Law 727 ..	94,964,680:	89,836,400:	43,156,500
Flood Prevention, Agriculture - For general basin investigations	1,484:	- -:	- -
Total	94,966,164:	89,836,400:	43,156,500
Allocation from Foreign Operations Administration - For expenses in connection with training activities	13,745:	17,900:	- -
Trust Funds:			
State Rural Rehabilitation Corporation Funds: a/			
Funds of State Rural Rehabilitation Corporations made available to the Department for rural rehabilitation purposes under trust or other agreements between the Secretary and individual states as follows:			
Administrative expenses	801,841:	740,000:	710,000
Undistributed charges	331,051:	366,500:	325,500
Loans	10,027,889:	13,000,000:	13,400,000
Total, State Rural Rehabilitation Corporation Funds	11,160,781:	14,106,500:	14,435,500
Obligations Under Reimbursements From Governmental and Other Sources:			
Salaries and expenses	103,164:	126,000:	126,000
TOTAL, OBLIGATIONS (OR ACCRUED EXPENDITURES) UNDER ALLOTMENTS AND OTHER FUNDS	106,952,553:	105,082,200:	59,198,000
a/ These items are on the basis of accrued expenditures.			

Advances From Secretary of the Treasury for Farm
Tenancy Loans, Agriculture

The funds in this account were derived from borrowings from the Secretary of the Treasury under authorizations to the Farm Security Administration prior to the establishment of the Farmers' Home Administration. The unobligated balance of \$60,965 was returned to surplus funds of the Treasury during the fiscal year 1954, the note to the Secretary having previously been retired from other payments on loans.

PASSENGER MOTOR VEHICLES

The estimates for the fiscal year 1956 include the replacement of 11 passenger motor vehicles. The vehicles are used by field personnel primarily in connection with necessary rural travel where common carrier is not readily available or practicable. Such travel is for the purpose of assisting and advising county supervisors in the investigation of applications, making loans, rendering of farm management assistance to borrowers, and collecting and servicing loans under the various loan programs. As indicated, the vehicles are used primarily in connection with rural travel, much of which is over unpaved roads, and repair and maintenance records show that the maximum economic operation is reached at 55,000 to 65,000 miles. Thereafter, breakdowns become more frequent and major overhauls are usually required to keep the vehicles in safe operating condition. It is estimated that the mileage on each of the vehicles proposed for replacement in 1956 will range from 55,000 to 80,000 miles as of December 31, 1954, and will be at least 60,000 on each vehicle before it is replaced. If these vehicles are not replaced, it is expected on the basis of past maintenance cost records, that the average repair cost per vehicle will be \$180.00 during 1956, or a total of \$1,980. Another factor for consideration is that the sales value of the vehicles will decrease in proportion to increased age and mileage. A substantial economy will be effected if the 11 vehicles are replaced in 1956.

The Farmers Home Administration operates a total of 46 passenger motor vehicles. With the exception of one vehicle which is assigned to the Washington Office for transportation of personnel to and from other Government offices and occasional trips to the closer State Offices, the vehicles are located at strategic points throughout the country for use primarily in connection with rural travel.

While custody of the vehicles is under the State Directors, they are not assigned for the use of any one person. The use policy involves (1) planning travel and field schedules so as to obtain the maximum amount of use from these vehicles which can be operated at an approximate total cost of less than 5 cents per mile including depreciation as opposed to use of privately owned automobiles costing 6 or 7 cents per mile, (2) strict adherence to the preventive maintenance requirements in order to avoid keeping the vehicles in a non-use status for unreasonable periods of time, (3) giving preference to group travel where program functions will permit and (4) the use of common carrier where it is more economical to do so.

<u>Age Data</u>		<u>Mileage Data</u>	
<u>Age-Year</u> <u>Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Lifetime</u> <u>Mileage</u>	<u>Number of</u> <u>Vehicles</u>
1947	1	0 to 20,000	10
1948	4	20,000 to 40,000	12
1949	5	40,000 to 60,000	16
1950	4	60,000 to 80,000	6
1951	7	80,000 to 100,000	2
1952	9	Total	<u>43</u>
1953	11		
1954	5		
Total	<u>46</u>		

OFFICE OF THE SOLICITOR

Purpose Statement

The Solicitor's Office was established in 1910 when the Congress prescribed that "hereafter the legal work of the Department of Agriculture shall be performed under the supervision and direction of the Solicitor" (5 U.S.C. 518). Until April 1, 1935 the Solicitor's Office was a unit of the Office of the Secretary, at which time it was established as a separate agency of the Department.

The Solicitor's Office, as the law office of the Department of Agriculture, performs all of the legal work arising from the activities of the Department. The Solicitor represents the Department in administrative proceedings for the promulgation of rules having the force and effect of law; in quasi-judicial hearings held in connection with the administration of various programs and acts; and in proceedings before the Interstate Commerce Commission involving freight rates and practices relating to farm commodities, including appeals from the decisions of the Commission to the courts. He serves as general counsel for the Commodity Credit Corporation and the Federal Crop Insurance Corporation. He furnishes necessary review in connection with criminal cases arising under the programs of the Department for the purposes of referring them to the Department of Justice.

By special assignment of the Attorney General, the Associate Solicitor on Litigation represents the Department in certain categories of cases before appellate courts, including the Supreme Courts of the States, U. S. Court of Appeals and the Supreme Court of the United States. The Solicitor issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares and reviews administrative rules and regulations applicable to the public; assists in the drafting of proposed legislation; prepares, reviews and interprets contracts, mortgages, leases, deeds, and similar documents; prosecutes patent applications for employees of the Department; examines titles to lands to be acquired by the Government or accepted as security for loans; and disposes of claims by and against the United States arising out of the Department's activities.

The legal work of the Office is carried on by 9 divisions in Washington, supervised by a deputy solicitor and 3 associate solicitors, the Associate Solicitor on Litigation, and the Solicitor. The work in the field is performed by 13 field offices and 5 branch offices.

On November 30, 1954, the Solicitor's Office had 376 employees, of whom 257 were in Washington and 119 in the field.

	<u>Appropriated, 1955</u>	<u>Budget Estimate, 1956</u>
Appropriated funds	\$2,079,000	\$2,164,000

REVISION OF ACTIVITY SCHEDULE

The activity schedule for the 1956 estimates reflects the present organizational structure of the Office of the Solicitor which in turn facilitates the accounting support for each activity. Each budget activity represents a group of Department activities for which the responsibility for the related legal work is assigned to one official in the Solicitor's office. The recent change in the organizational pattern of the Office consisted primarily of merging the legal work relating to the Farmers Home Administration and that relating to the Rural Electrification Administration under the direction of one official. A comparison of the revised structure with that reflected in the 1955 budget, is as follows:

<u>Activity Structure in the 1955 Budget</u>	<u>Activity Structure in the 1956 Estimates</u>
1. Agricultural Credit	1. Agricultural Credit
2. Commodity Credit, Production, and Adjustment Programs	2. Commodity Credit, Production, and Adjustment Programs
3. Lands, Forestry, Research, and General Legal Services.	3. Lands, Forestry, Research, and General Legal Services
4. Marketing and Regulatory Laws	4. Marketing and Regulatory Laws
5. Rural Electrification and Telephone Programs	

Salaries and Expenses

Appropriation Act, 1955	\$2,030,000
Supplemental Appropriation Act, 1955	+45,000
Transferred from:-	
"Administrative expenses, Commodity Credit Corporation" ...	+300,000
"Watershed protection, Soil Conservation Service," pursuant to Public Law 663	+40,000
Activities transferred in 1956 Estimates to "Salaries and Expenses, Office of the Secretary of Agriculture" a/	-36,000
Base for 1956	2,379,000
Budget Estimate, 1956:	
Direct appropriation	\$2,164,000
Transfer from "Administrative expenses, Commodity Credit Corporation"	375,000
Total available	2,539,000
Increase	+160,000

SUMMARY OF INCREASES, 1956

For additional legal services incident to:	
Soil and water conservation loan program of the Farmers' Home Administration	+40,000
Insured mortgage program of the Farmers' Home Administration	+24,000
Rural electrification and rural telephone loan program	+20,000
Commodity Credit, production and adjustment programs:	
Direct Appropriation (decrease of \$75,000 in direct appropriation for Commodity Credit Corporation work and an increase of \$30,000 for farm marketing quotas and acreage allotments)	-45,000
Increase in transfer from Commodity Credit Corporation	+75,000
Administration of the marketing agreement and orders program (\$38,000) and activities under the Perishable Agricultural Commodities Act. (\$8,000)	+46,000

a/ For expenses of Hearing Clerk Unit and for editing "Agricultural Decisions" for publication.

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increases	1956 (estimated)
1. Agricultural credit	\$947,387:	\$912,000:	+\$84,000(1):	\$996,000
2. Commodity credit, production, and adjustment programs	600,186:	584,000:	+30,000(2):	614,000
3. Lands, forestry, research, and general legal services ..	512,305:	491,000:	- -	491,000
4. Marketing and regulatory laws:	384,289:	392,000:	+46,000(3):	438,000
Unobligated balance	93,195:	- -:	- -	- -
Total available	2,537,362:	2,379,000:	+160,000	2,539,000

Project	1954	1955 (estimated)	Increases	1956 (estimated)
Received by transfer from "Administrative expenses, Commodity Credit Corporation"	-300,000:	-300,000:	-75,000	-375,000
Subtotal	2,237,362:	2,079,000:	+85,000	2,154,000
Transfer in 1956 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture"	+35,500:	+36,000:		
Transfer in 1956 estimates from "Watershed protection, Soil Conservation Service"	- -:	-40,000:		
Transfers in 1955 estimates from--				
"Agricultural Marketing Act, Agriculture"	-4,862:	- -:		
"Flood Prevention, Soil Conservation Service"	-18,000:	- -:		
Transfer to "Salaries and expenses, Office of Information, Agriculture" pursuant to Public Law 286	+50,000:	- -:		
Total appropriation or estimate	2,300,000:	2,075,000:		

INCREASES

The increase of \$160,000 in this item for 1956 consists of the following:

(1) An increase of \$84,000 under the project "Agricultural credit" composed of the following:

(a) An increase of \$40,000 for legal services in connection with the soil and water conservation loan program of the Farmers' Home Administration.

Need for Increase: Public Law 597, approved August 17, 1954, extended the authority for making water facility loans to all 48 States, authorized loans for soil conservation purposes, and authorized the Secretary to insure loans made from private sources for both of these purposes. Legal work of developing the new program will continue in substantial volume in 1956. Included in this category will be the development and approval of programs, regulations, and forms. It is anticipated that the amount of loan activity will increase markedly in 1956 resulting in an increase in the number of referrals to the Office of the Solicitor for legal attention. The additional work related to insured loans which are estimated at \$25,000,000 in 1956, in addition to the numerous problems requiring legal attention as a result of extending the water facilities programs to States where the program is not authorized under previous law, will account for a large part of the increase. The conditions which exist in the States to which the program has been extended are different in many respects from those in the 17 arid and semi-arid States in the West where this program has previously been operating.

The problem of riparian rights as compared with problems arising under the doctrine of appropriated and adjudicated rights will in itself present a number of new and novel legal questions which have to be resolved as this program extends into the new areas. Some assistance in the preparation of State legislation will be involved.

The increase in the number of new loans, particularly on association-type loans, will necessitate additional legal work in examining loan dockets to see that corporate documents, contracts, deeds, and mortgages are in order; reviewing title evidence such as abstract of title, title insurance binders, certificates of title for legal sufficiency; preparing abstracts, closing instructions and related documents; examining closing documents and issuing final opinions thereon. Servicing of security obtained for loans made under prior authority as well as new loans will require additional legal work in consulting with administrative personnel, preparing legal opinions and memoranda, preparing, revising, and approving for legal sufficiency contracts, releases, satisfactions and other documents, and preparing for prosecution cases involving civil and criminal action. Processing cases, involving transfer of title to other eligible applicants and reviewing foreclosure cases to determine that foreclosure grounds exist and preparing necessary legal documents to effect actions desired, and rendering final opinions after the closing will also greatly increase the workload.

(b) An increase of \$24,000 for legal services incident to the insured farm ownership mortgage program of the Farmers' Home Administration.

Need for Increase: This increase in funds is requested for legal services arising out of the increase in the anticipated volume of the insured farm ownership loan program in 1956, presently anticipated to be an aggregate of \$45,000,000, which is an increase of \$21,000,000 over the program anticipated in fiscal year 1955. The increase recommended in connection with the insured mortgage program is based not only on the need for additional legal services in connection with new loans, but also in connection with the additional legal attention required in the servicing and collection of outstanding loans made in previous years. The type of work is very similar to that described above relating to soil and water conservation loans.

(c) An increase of \$20,000 for legal services in connection with the rural electrification and rural telephone programs.

Need for Increase: The continuation of the rural electrification program at a high level, the greater complexities involved in the loan programs, the increased emphasis by REA in solving problems relating to borrowers which are potential loan security risks, and the acceleration of the rural telephone program contemplated during the fiscal year 1956 (\$80,000,000 as contrasted with \$75,000,000 in 1956) will increase the legal services required in connection with these programs. Moreover, as the rural electrification and telephone loans have increased in complexity, personnel of this office assigned to this work have decreased. An increase is essential in order to preserve the security of the Government's loans, to expedite compliance with loan requirements, and to meet all responsibilities essential to effectuation of the proper REA program objectives.

Maintenance of adequate legal services for the REA program has, of course, a direct impact on the progress of the REA programs and related ability of the borrowers to meet their obligations to the Government. The needs and demands for such services can be expected to increase during the fiscal year 1956. An additional workload which will present many novel and complex problems can be expected in connection with the development of nuclear power and the potential use thereof by rural electric cooperatives as a result of the Atomic Energy Act of 1954.

(2) An increase of \$30,000 under the project "Commodity Credit, Production and Adjustment Programs" composed of the following:

(a) A decrease in the direct appropriation of \$75,000 and an increase of \$75,000 in the transfer from "Administrative expenses, Commodity Credit Corporation" for legal services in connection with the activities of the Corporation.

The Office of the Solicitor is not in a position to control the volume of Commodity Credit Corporation legal work referred to it as the volume is dependent upon the activities of the Corporation.

For the past several years the funds expended for legal services incident to the operations of the Commodity Credit Corporation have exceeded the amounts advanced by the Corporation as indicated below. It is estimated that the cost of such legal services in fiscal years 1955 and 1956 will be \$375,000.

Legal Services Incident to Operations
of Commodity Credit Corporation

<u>Fiscal</u> <u>Year</u>	<u>Attorney</u> <u>Hours</u>	<u>Total</u> <u>Obligations</u>	<u>Amounts Advanced</u> <u>from Commodity</u> <u>Credit Corporation</u>
1952	54,588	\$359,189	\$206,340
1953	65,359	439,212	206,469
1954	56,790	395,826	300,000

The sharp increase in attorney-hours during fiscal year 1953 was brought about by the peak workload incident to a large number of warehouse conversion cases. The legal work performed for Commodity Credit Corporation in fiscal year 1956 can be expected to remain at a level higher than that for fiscal year 1952 and at about the same level as for fiscal year 1954, because of (1) continued heavy workload of Commodity Credit Corporation litigation, (2) the great increase in farmer participation in price support programs under prevailing farm economic conditions, and (3) the large Commodity Credit Corporation price support inventory stocks. Considerable legal work arises in connection with the disposition programs for such inventories. The storage, transportation and other handling on a nationwide basis of such a large volume of commodities give rise to innumerable claims in which legal services are required. Claims work naturally reaches its peak volume in the Solicitor's Office in from one to two years after the close of the crop year.

In view of this marked increase in the legal work of the Commodity Credit Corporation, an increase of \$75,000 in the transfer from the Commodity Credit Corporation is requested. This increase would provide for a total transfer of \$375,000 in the fiscal year 1956. The increase in the transfer item is offset by a reduction of a like amount in the funds requested as a direct appropriation. This will result in the actual cost of legal services furnished the Commodity Credit Corporation being more adequately financed from funds received by transfer from the Corporation.

(b) An increase of \$30,000 for legal services incident to farm marketing quotas and acreage allotment programs.

Need for Increase: The imposition of marketing quotas and acreage allotments on the 1954 crops of wheat, upland cotton, and extra long staple cotton under the Agricultural Adjustment Act of 1938, as amended, will result in a marked increase in the demand for legal services in the fiscal year 1956. Prior to 1954 marketing quotas were last in effect for wheat in 1942 and for cotton in 1950. Extra long staple cotton is under acreage and marketing controls for the first time since the Act was passed in 1938. Experience has demonstrated that when marketing quotas are imposed for the first time in several years many novel legal problems arise and as a rule enforcement of the program requires a relatively greater number of suits to be filed than is necessary where quotas have been in effect for the commodity during the immediately preceding years. The number of farms on which penalties are incurred and the total amount of penalties collected tend to diminish somewhat after the program has been in effect for several years. It is impossible to estimate accurately the number of violation cases which will be submitted to the Office of the Solicitor in connection with the 1954 programs for handling in 1956. In connection with the 1950 marketing quota program on upland cotton field offices submitted to Washington 164 cases of violation by cotton buyers, ginner and producers involving marketing quotas penalties amounting to more than \$52,000. These cases were reviewed by the Washington office and 76 were transmitted to the Department of Justice for referral to United States Attorneys. It is anticipated that a larger number of violations of cases will be submitted in connection with the 1954 program since continuation of quotas for the 1955 crop seems likely and stricter enforcement under those circumstances may be expected.

Quotas were imposed on wheat in 1941 for the first time and there were a large number of farms on which the acreage of wheat exceeded the farm acreage allotment. In connection with the 1941 wheat marketing quota work it is estimated that approximately 500 violation cases were referred to the Solicitor's Office for court action. The Act accords to each dissatisfied farmer the right to have his farm marketing quota and acreage allotment reviewed by a farmer review committee. A hearing is held in proceedings before the farmer review committee, and the county committee which established the quota and allotment is required to explain and defend its action. In many cases before the review committee the farmer is represented by an attorney and in these cases it is desirable that the county committee be represented by an attorney from the Office of the Solicitor. If after this review, the farmer is still dissatisfied he has the right to seek a court review of his quota and allotment. If the farmer seeks a court review of his farm quota and allotment the case is handled by the Department of Justice with the cooperation of the Office of the Solicitor.

(3) An increase of \$46,000 under the project "Marketing and Regulatory Laws" for legal services incident to the administration of the marketing agreement and orders program and activities under the Perishable Agricultural Commodities Act.

Need for Increase: There has been a marked increase in the legal work referred to the Office of the Solicitor during the past several fiscal years in connection with the administration of the marketing agreement and order programs and activities arising under the Perishable Agricultural Commodities Act. Since this rate of increase is expected to continue during the 1955 and 1956 fiscal years additional legal services will be required to handle the increased workload in connection with these two programs during fiscal year 1956.

(a) Marketing agreement and order programs (+\$38,000).

During the last two years the volume of legal work in connection with marketing agreement and order programs has been increasing rapidly. In the fiscal year 1954 there was an increase of approximately 40 percent in the number of hearings held on these programs compared with the number held in 1953. In 1954 there were 79 active programs and 72 amendments to orders were issued. The policy of industry self-help in lieu of direct Government financial assistance to improve agricultural prices will result in an accelerated rate of expansion in marketing agreement and order programs during the fiscal years 1955 and 1956. Lack of sufficient funds for essential legal services would seriously retard the effectuation of such policy.

The Agricultural Marketing Agreement Act was amended by the Agricultural Act of 1954 to authorize the regulation of containers and types of pack for fresh or dried fruits, vegetables or tree nuts, and to provide for marketing research and development projects. It is anticipated that during fiscal years 1955 and 1956 this authority will result in many hearings on amendments to existing programs as well as on new programs. This Act also amended the Agricultural Marketing Agreement Act of 1937 to prohibit the importation of tomatoes, avocados, limes, grapefruit, green peppers, Irish potatoes, cucumbers, or egg plants which fail to meet the requirements as to grade, size, quality, or maturity in effect with respect to any such commodities under a marketing order. Mangoes have been added to this list by subsequent legislation. Marketing orders presently regulate avocados, grapefruit and Irish potatoes. It is expected that the prohibition on imports will result in demands for marketing orders covering the other commodities.

The large increase in the number of amendments during the past few years reflects the extension of milk marketing programs to new markets which has created numerous problems of inter-market relationships requiring frequent hearings on amendments. The performance of legal services in connection with these programs is becoming more difficult as programs are established in areas distant from Washington, such as, Texas and the Pacific Coast areas. Hearings at these distant points require considerable expenditure of time and expense traveling to and from these markets, thus greatly reducing the availability of attorneys for work in the office. Incident to the expansion of the fruit,

vegetable and nut programs, the Office of the Solicitor has experienced a substantial increase in the number of regulations needed to supplement and effectuate these programs. For example, the number of regulations increased from 240 for fiscal year 1953 to 300 for fiscal year 1954, an increase of 25%.

In addition to the legal work performed in connection with order promulgation and administration, this office is required to handle numerous administrative and judicial proceedings relating to the enforcement or defense of these programs. These proceedings require comprehensive factual and legal analysis and preparation because of the importance of the issues involved. Seventy-nine administrative and judicial proceedings involving marketing agreement and order programs were pending as of June 30, 1954. With the expansion of these programs it is expected that the number of administrative and judicial proceedings arising therefrom will be greatly increased.

(a) Perishable Agricultural Commodities Act (\$8,000).

The bulk of the work of the Solicitor's Office under the Perishable Agricultural Commodities Act deals with the handling of reparation complaints. Attorneys of this office preside at hearings at which evidence is adduced and prepare decisions on the basis thereof for consideration and issuance by the Departmental Judicial Officer. The number of reparation complaints filed has been steadily increasing during the past several years. Two hundred and fifty-five cases were instituted during fiscal year 1954 as compared with 250 in 1953, 224 in 1952 and 170 in 1951. There were 142 cases pending July 1, 1954, which approximates the average carry-over in recent years. It has been impossible to reduce the backlog of cases. Additional funds are required in 1956 in order that decisions may be rendered within a reasonable time after complaints are filed. One purpose of the Perishable Agricultural Commodities Act is to provide an administrative forum in which disputes arising out of interstate shipments of perishable fruit and vegetables can be settled in a convenient and speedy manner. Delays in rendering decisions in these proceedings defeats the purpose of the statute and has subjected the Department to serious criticism. Moreover, since all of the cost of this program, except for legal services, is borne by the industry through the collection of license fees, the industry feels justified in demanding prompt and efficient service.

In order to preclude unnecessary delays in dealing with matters relating to the Perishable Agricultural Commodities Act and the marketing agreement and order programs, which frequently require expeditious handling to cope with the demonstrable urgency of the rapidly changing marketing conditions they are designed to correct, it is necessary that the legal staff presently assigned to these functions be increased to provide adequate legal assistance in the promulgation and amendment of marketing agreements and orders and the handling of litigation arising thereunder, and the disposition of cases under the Perishable Agricultural Commodities Act.

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses, * * * together with such amounts from other appropriations or authorizations as are provided in the schedules in the budget for the current fiscal year for such expenses, which several amounts not exceeding a total of [\$300,000] \$375,000 shall be transferred to and made a part of this appropriation.

The proposed change in language would increase the amount which may be transferred to this appropriation from "Administrative expenses, Commodity Credit Corporation" from \$300,000 to \$375,000 and at the same time decrease by \$75,000 the direct appropriation to the Office of the Solicitor as explained in more detail in the justification of the estimates. For the past several years, funds expended for legal services incident to the operations of the Commodity Credit Corporation have exceeded the amounts advanced by the Corporation. It is estimated that the cost of such legal services for the Corporation in fiscal year 1955 and 1956 will be \$375,000.

STATUS OF PROGRAM

The Office of the Solicitor furnishes all of the legal services required in connection with the programs and activities of the Department. The Secretary and other officials are advised on legal matters which arise in connection with their work. The progress and effectiveness of the functions of the Department require legal competence with a broad appreciation and understanding of the Department and related governmental policies and programs. This Office is responsible for interpreting existing legal authorities affecting actions or proposed actions of the Department's agencies and the application of such interpretations to the programs and operations of the Department. Because the attorneys of this Office are intimately acquainted with the operations of the Department's programs, the statutes under which they operate, and the sources of available information, they are qualified to prepare the many complex cases for litigation and to assist the United States Attorneys in the trial thereof and are, therefore, called upon to perform this essential service. In a number of appellate cases the Associate Solicitor for Litigation actually presents the oral argument.

During the fiscal year 1953 a survey of the workload and staffing requirements of the field offices indicated an unequal distribution of workload and staffing in several offices. It revealed also that some of the functions could be performed more efficiently and economically by the Washington staff. This was particularly true of the work relating to REA title matters (electrification and telephone loan programs), and certain of the marketing and regulatory activities.

Prior to the reorganization in the fiscal year 1954, the work in the field was performed in ten regional and eight side offices. The attorney in charge of each regional office was responsible for performing, under the direction of the Solicitor, all of the legal work relating to the Department's program activities carried on in the area served by the regional office and its side offices. The work outside of Washington is now carried on in thirteen field offices and at five locations at which the attorneys are attached to the legal divisions in Washington. Legal services incident to the Department's activities in the Hawaiian Islands are provided by an attorney employed on a part-time basis. During fiscal year 1954 former offices at Lincoln, Nebraska, Dallas, Texas, and Philadelphia, Pennsylvania were abolished and new offices were established at Kansas City, Missouri, and New York City. Recently small offices of the Solicitor were established at Dallas, Texas and Oklahoma City, Oklahoma. This action was taken to expedite legal attention to the Department's activities in Texas and Oklahoma.

The assignment of the legal work in the field is now limited generally to the following functions:

1. Commodity Credit, production and adjustment programs - this includes legal work for the Commodity Credit Corporation, the

Agricultural Conservation programs, farm marketing quotas and acreage allotments and crop insurance;

2. The programs of the Farmers Home Administration; and

3. The forestry and lands activities, which includes the Forest Service, Soil Conservation Service, land acquisition and watershed protection programs.

All of the other legal work arising out of the Department's activities is the responsibility of the Washington Office. The volume and scope of the legal work is dependent upon the requests of administrative officials and the problems encountered in the conduct of the programs of the Department. To meet changing workloads, employees are shifted from one activity to another when necessary.

Recent activities illustrative of legal work performing during fiscal year 1954 are listed below.

1. Farm Credit Administration Programs: This work consisted of rendering day-to-day legal services to the Administration in the general supervision and control of the Farm Credit System, and the general supervision and coordination of the work of the 12 district general counsels. A special activity was interpreting the Farm Credit Act of 1953, approved August 6, 1953, and handling all legal phases of the establishment of the Farm Credit Administration as an independent agency outside of the Department of Agriculture. This phase of the Office's work ceased on December 4, 1953, the effective date of the Act.
2. Farmers Home Administration Programs: During the fiscal year 1954 a study of legal and administrative loan processing and servicing procedures was undertaken which has resulted in the elimination of many procedural steps and of many forms used in loan making and loan servicing, and in economy of operations. Considerable legal work during the fiscal year 1954 involved the preparation of drafts of proposed legislation, amending the basic loan authorization and reports on proposed legislation. In addition, legal work involved oral and written advice to administrative officials, legal assistance in the preparation and approval of rules, instructions and forms, examination of title to land in connection with real estate loans, the preparation or approval of security instruments, the issuance of instructions for loan closing in individual cases, the preparation of releases, subordination agreements and other documents in connection with servicing loans and legal assistance in collecting loans, filing claims and preparing cases for litigation.
3. Rural Utilities Programs: The legal services performed in connection with the rural electrification and rural telephone programs were diverse and complex. Typical legal complexities

encountered in connection with REA loans were those occasioned by (1) in the electric program, the frequent necessity of power, operating interchange and joint facility arrangements with power companies and federal or state agencies, and (2) in the telephone program, the necessity of numerous regulatory commission approvals, acquisitions of existing facilities, interconnection agreements (including toll, operator assistance and extended scope agreements), switching service agreements, and joint use agreements. No backlogs in the preparation and processing of REA loan contracts and security documents have been permitted to be accumulated. It has been necessary, however, to handle REA legal work on a priority basis in the following order: (1) Preparation and processing of loan and security documents and related matters which affect the REA "production line"; (2) legal opinions required by the REA Administrator and his staff; (3) litigation in which REA is a party or is especially interested; and (4) legal work incident to essential loan servicing. Thereafter, the remaining time of available personnel was allocated to other legal work such as assistance in litigation affecting REA borrowers, advice to borrowers and to the REA staff in respect of corporate and regulatory commission proceedings, etc. The legal services rendered involved such matters as the following:

a. In the rural electrification program, the number of loans and the dollar amount of loans are continuing at a high level. As the program reaches greater maturity, the complexities in connection with the loans increase in number rather than decrease. Prior loan and security documents and debt limits must be reviewed and brought current, and the government's security position maintained. The increase in proposals involving extensions into thinner and pocketed areas present new problems and involve the preparation or review of contracts, deeds and bills of sale, corporate minutes, franchises, orders of regulating bodies, easements, operating agreements, leases, power contracts, ordinances, and municipal proceedings. A number of acquisitions involve the purchase of outstanding capital stock of an existing corporation and the subsequent transfer of assets, on liquidation of the acquired corporation, to the REA borrower. An additional legal workload is occasioned by the number of inter-borrower transactions involving the transfer of electric properties between REA borrowers. Problems involving borrowers which represent potential security problems also have increased the legal work of the Office. An additional factor contributing to the increased activity in respect of legal services in connection with the rural electrification loan program is the increase in proposals involving joint financing and pooling, integration, and joint-use arrangements by REA borrowers and other power suppliers - requiring an analysis of complex operational, engineering, accounting, and financing factors, and

the preparation of complicated loan and security documents together with operational, construction, and power agreements.

b. The rural telephone program exceeded any prior year in both the number and dollar-amount of loans. The accelerated pace has been met through the development of revised documents and simplification of procedures. A substantial percentage of telephone loans are predicated upon the acquisition by borrowers of existing telephone systems, as a means of effectuating the objectives of the Act (a single loan involving, in some instances, as many as twenty such acquisitions of varying size and complexity). A substantial amount of work of the Office, therefore, is devoted to the preparation or review of option and sale agreements, instruments of conveyance, evidences of title, corporate proceedings, escrow agreements, municipal franchises, commission orders, and a host of other miscellaneous documents and instruments normally involved in each sale of telephone properties. Of particular frequency and importance were questions relating to the permissible use of loan funds for financing nonrural telephone facilities, acquisitions of existing systems, and repayment by borrowers of outstanding indebtedness, and those relating to restrictions against duplication of facilities, the power of the Administrator to alter or waive borrowers' contractual obligations, the preference to be accorded to certain categories of borrowers, and the meaning of the "area coverage" requirement. Increased REA emphasis on the construction phase of the telephone program has increased the legal workload in connection with problems relating to advances of funds in accordance with the conditions and requirements specified in the loan documents, the drafting or review of complex construction contracts, service agreements, toll, operator assistance and extended scope agreements, switching service agreements, and joint-use agreements, and advice and assistance in obtaining required orders and approvals of State and Federal regulatory agencies, including certificates of convenience and necessity, and approvals relating to the issuance of loan and security instruments, contemplated equity financing, acquisitions of existing systems, rate schedules, and voluntary or compulsory interconnections with other telephone companies.

c. Recent litigation: In the protection of the Government's security interests and furtherance of the objectives of both the rural electrification and rural telephone programs, assistance was rendered to borrowers in litigation both in courts and before regulatory bodies in a wide variety of matters. Worthy of special note the following examples of court and public service commission cases

affecting the Government's interests during the year:

(1) Ten midwestern power companies brought suit in the United States District Court for the District of Columbia to enjoin further action by the Secretary of Agriculture, the Administrator of the Rural Electrification Administration and other Government officials in connection with loan contracts aggregating more than \$50,000,000 for the construction of electric generation and transmission facilities involved in lease and power interchange contracts between REA borrowers and Southwestern Power Administration. The legality of these contracts was upheld, following a separate trial on this question, by the District Court for the District of Columbia in its decision of June 17, 1953. Thereafter, during the fiscal year 1954, final judgment was entered dismissing the complaint. An appeal was taken by the plaintiff to the Court of Appeals of the District of Columbia and the case is now pending there. Basic questions relating to the meaning of "central station service" and "rural areas" as these terms are used in the Rural Electrification Act, the permissibility of financing acquisitions of existing utility properties as a means of achieving this Act's objectives, arrangements for the disposition of incidental surplus power by REA borrowers, and standing to sue, are involved in this litigation.

(2) In Alabama, an REA-financed electric cooperative, exempt by statute from Commission jurisdiction, instituted a proceeding before the Public Service Commission seeking an order to prohibit competitive service in an area being served by the Cooperative, but which has recently been annexed by a municipality. The proceeding involves basic questions relating to the status before a public utility commission of a cooperative exempt by statute from such jurisdiction, and the right of an electric supplier operating under a municipal franchise to operate in an area annexed by a municipality.

(3) Following a decision by the New York Court of Appeals, upholding the right of Delaware County Electric Cooperative, an REA borrower in the State of New York, to have its condemnation claim against the City of New York heard and determined, a tentative agreement was reached between the cooperative and the City of New York, under which the City would pay the Cooperative the sum of \$350,000 in settlement of the Cooperative's claim. Assistance and advice were rendered, both in the protracted litigation preceding the decision of the Court of Appeals and in the preparation of evidence relative to the amount of compensation payable to the Cooperative.

4. Commodity Credit, Section 32 and School Lunch Programs: Legal services in connection with the activities of Commodity Credit Corporation involving price support, supply and foreign purchase, export (including wheat and flour pursuant to the International Wheat Agreement), and storage facilities programs have continued to be required at a steadily increasing rate as, for example:

a. Decreasing farm prices brought increased farmer participation in price support programs during the 1954 fiscal year. Over 5,340,000 individual price support commodity loans for a total of \$3,342,000,000 were made. This is 210 percent more loans than in 1953. 127,508 purchase agreements were entered into covering commodities with a price support value of approximately \$357,000,000, an increase of 38 percent over 1953. The full impact of these increases will reach the Solicitor's Office during fiscal years 1955 and 1956 when claims and other legal problems will arise in connection with maturity of loans and with the take-over of loan collateral and the management of enlarged inventories. Increasing inventories result in increased work in connection with the care and disposition of such stocks and legal work in connection therewith necessarily continues through subsequent fiscal years. The total dollar volume of business of the Corporation for 1954 was \$5,465,000,000, approximately 1-2/3 times that of 1953. During the fiscal year 1954 there were 25 price support and 8 resale programs. In connection with these programs there are prepared or reviewed many types of legal instruments such as chattel mortgages, notes, purchase and loan agreements, bulletins, announcements, instructions, regulations, and warehouse agreements. Legal advice was also prepared between the Corporation and dealers, processors, warehousemen and private lending agencies, and the Federal Reserve banks, since such agencies are utilized by Commodity Credit Corporation in carrying out its price support operations.

There were 14 purchase and donation, 9 export, and 4 diversion programs carried out by the Department of Agriculture during the fiscal year 1954 under the authority of section 32 of the Act of August 24, 1935, as amended. The Office handled legal problems arising in connection therewith, including the preparation or legal approval of regulations and procedures, contracts, donation agreements and other legal instruments, and the dockets authorizing or amending the programs.

Legal assistance was also given in connection with programs for the purchase and distribution of commodities under section 6 of the National School Lunch Act. The dockets authorizing the programs were reviewed and contracts, procedures and regulations were drafted or approved for legality.

b. Claims work and litigation have increased steadily in recent years. Under its charter, the Commodity Credit Corporation, unlike many other Government agencies, has authority to settle and adjust its claims. This calls for additional legal services to be performed by this Office, such as preparing memorandum opinions, assisting the Contract Disputes Board, negotiations with opposing counsel, etc. Litigation results when claims cannot be collected or settled by administrative procedures. The major part of the litigation work of the Office consists of the assistance rendered to the Department of Justice and the United States Attorneys in preparation for trial, conduct of trial, and settlement negotiations after the referral of cases to the Department of Justice. Therefore, the volume of litigation cases pending in court or in the Department of Justice more accurately indicates the current and future litigation workload than the number of cases referred during particular periods.

There were 1,255 cases involving some \$24,000,000 pending at the end of the fiscal year 1954. For the first time in several years, there was a net reduction in the backlog of cases, there being 266 less cases pending as of the close of fiscal year 1954 than were pending on June 30, 1953. Accompanying the reduction in the numbers of cases was a \$5,000,000 reduction in the dollar value of pending cases between the close of fiscal year 1953 and the close of fiscal year 1954.

However, as previously indicated, as a result of greatly increased price support activity of Commodity Credit Corporation during last fiscal year, a corresponding increase in new claims and litigation cases can be predicted for fiscal years 1955 and 1956. New United States Attorneys, unfamiliar with the intricacies of price support activities and confronted with large backlogs of work in their respective offices, call upon the attorneys of this Office for increased aid in handling the litigation of Commodity Credit Corporation.

At the end of fiscal year 1954, 19 cases arising under section 32 and school lunch programs, involving more than \$1,800,000, were pending in court or in the Department of Justice, as compared with 18 such cases involving more than \$600,000 pending at the end of fiscal year 1953.

c. Examples of recent litigation: Illustrative of the varied legal issues presented in such litigation described above are the following:

(1) Grain shortage and deterioration cases: The cases involving shortages and deterioration in warehouse-stored grain and other fungible commodities have constituted the

most important and time-consuming litigation in the history of Commodity Credit Corporation. A major portion of the time of attorneys spent on Commodity Credit Corporation litigation in recent years has been devoted to the handling of these cases, and several years will be required to complete them.

Since January 1, 1951, more than 300 warehouse shortage cases alone have been transmitted to this Office. It has been necessary to refer some 247 of these cases to the Department of Justice, 25 of them having been referred during the fiscal year 1954. The Department of Justice has brought legal action in 96 of the cases on either the criminal or civil aspects, or both. A total of approximately 114 of the cases has been closed, including 54 during the fiscal year 1954. More than \$5,300,000 has been collected on the civil claims, of which about \$1,500,000 was collected during the fiscal year 1954. The cases now pending in the Department of Justice involved an additional \$10,000,000 in claims.

In 21 cases involving insolvent warehousemen, it has been necessary to seek recovery in bankruptcy or receivership proceedings; 17 such proceedings involving claims of Commodity Credit Corporation approximating \$5,500,000 are still active. Collections of almost \$1,000,000 have been made to date in such proceedings, and substantial additional sums now in the hands of trustees in bankruptcy and receivers will be paid to the Government upon completion of the proceedings.

Both the preparation and presentation in court of claims of Commodity Credit Corporation in bankruptcy and receivership proceedings have, for the most part, been handled by attorneys of this Office at the request of United States Attorneys who have been overburdened. These proceedings involve many claims, petitions, and motions by the Government and numerous other parties, which require participation by attorneys of this Office in many conferences and hearings and the preparation of claims, petitions, motions, and briefs and the delivery of oral arguments.

In addition to actions to recover from warehousemen, numerous suits against warehousemen's sureties have been or will be prepared and filed, and information requested by the Department of Justice for the filing of suit against upwards of 500 purchasers of Commodity Credit Corporation grain from more than 40 warehousemen has been or is in the process of being obtained.

(2) Cases Involving Exports of Canadian Wheat under the International Wheat Agreement Subsidy Program: Since June of 1952 there have been referred to this Office 88 reports of investigation with respect to the disposition of approximately 60 million bushels of Canadian frost-damaged wheat

imported into this country ostensibly for animal food under the customs designation of "wheat - unfit for human consumption". Evidence obtained in these investigations indicates that upwards of 2 million bushels of such Canadian wheat were exported from this country as American wheat, or flour made from American wheat, under the International Wheat Agreement Export Subsidy Program administered by Commodity Credit Corporation. During the fiscal year 1954, 62 of these reports of investigation were reviewed by this Office and transmitted to the Department of Justice with letters of analysis - the remainder having been so transmitted in the fiscal year 1953. In addition to substantial evidence of criminal acts committed by a number of companies and individuals, it appears that Commodity Credit Corporation has claims against some 24 different companies as a result of these transactions. The gross civil claims against such companies, computed on the basis of their minimum possible legal liability, is upwards of \$1-1/3 million and, if calculated on the basis of their maximum possible liability, such claims would run to several million dollars. Collections by voluntary refunds and withholdings totalling about \$1 million have already been made in these cases although the civil aspects of none of the cases have been completed.

Harris County Houston Ship Channel Navigation District v. Tellroth and Commodity Credit Corporation, is the first civil case involving such Canadian wheat to reach the court stage. The plaintiff instituted this suit for the purpose of obtaining a declaratory judgment that the plaintiff was entitled to securities valued at more than \$100,000 which were purchased by the former superintendent of the plaintiff's grain elevator with bribe money paid him by a firm which profited by the receiving in substitution for its Canadian frost-damaged wheat stored in the elevator higher quality domestic wheat owned by Commodity Credit Corporation. This Office has reviewed the evidence obtained by investigation, has held conferences with the investigator, the Department of Justice, and the Assistant United States Attorney for the purpose of developing the full facts and the legal theories to be asserted by the Government, and has prepared drafts of proposed pleadings consisting of an answer, counterclaim, and crossclaim against other parties, which were forwarded to the United States Attorney for consideration.

(3) Rosenberg Bros. & Co., Inc. v. Commodity Credit Corporation, and nine similar actions by other raisin packers, totalling \$1,200,000: These suits were brought by raisin packers to recover damages allegedly resulting from changes made by Commodity Credit Corporation in the 1947 Raisin Purchase Program which the packers contend were contrary to the program as originally announced and constituted a breach of their prior contracts for sale of raisins to the

Corporation. The Rosenberg cases, regarded as a test action for the other nine cases, has taken much time by this Office in assisting the Department of Justice over a period of many months in the preparation for and conduct of the trial.

Appellate litigation in connection with Commodity Credit Programs: *Rennicke v. United States*, 207 F. 2d 429, decided on October 29, 1953, by the U. S. Court of Appeals for the Eighth Circuit, was an action by the Government to recover the balance due on a loan by the Commodity Credit Corporation under its rice program. One of the issues under the chattel mortgage and mortgage supplement related to whether the rice delivered by the defendants to the Corporation was of a lower grade and quality than the rice on which the loan was made, and whether the defendants were liable for the deficiency. In affirming the judgment of the District Court in favor of the Government, it was held, among other things, that an inspection certificate issued in the regular course of business by a Federal inspector is admissible as evidence of the truth of the statements therein recorded even though the inspector who issued the certificate is not available as a witness.

In *Central States Corporation v. Frank Luther, Trustee*, a brief *amicus curiae* was filed by the Government since one of the issues had a direct bearing upon Commodity Credit Corporation's claim in the Garden Grain and Seed Company bankruptcy. The Central States opinion was handed down August 13, 1954, (215, F. 2d 38, 10th Cir.) and established a landmark in bankruptcy law by holding that the bankruptcy court in the exercise of its equitable jurisdiction could concern itself with controversies between claimants over property not owned by the bankrupt or in the custody of the trustee in bankruptcy if such action by the court was necessary to a complete disposition of the issues involved in the proceedings.

5. Production and Adjustment Programs: Legal services rendered in connection with the Federal Crop Insurance Corporation, sugar quota and payment program, agricultural conservation program, naval stores conservation program, farm marketing quota and acreage allotment programs, and import quotas under Section 22 of the Agricultural Adjustment Act (of 1933) involved, among others, matters concerning:

- a. Farm marketing quota and acreage allotments in effect with respect to the 1954 crops of cotton, wheat, peanuts and 6 kinds of tobacco. The imposition of cotton and wheat marketing quotas in 1954 for the first time since 1950 in the case of cotton and 1942 in the case of wheat resulted in an increase in the legal workload. The application of provisions of law enacted since marketing quotas were last effective gave rise to varied and novel legal problems. Approximately 6,000 farmers who were dissatisfied with their 1954 farm acreage allotments

applied for a review of such allotments before a local farmer review committee appointed by the Secretary of Agriculture. This Office assisted in the conduct of many of these proceedings and examined all review committee determinations for legal sufficiency. A considerable number of such farmers also instituted proceedings for a court review of their farm acreage allotments. This Office arranged for the defense of the review committees by U. S. Attorneys through the Department of Justice, including the preparation of the necessary pleadings and the furnishing to the U. S. Attorneys of such pleadings and the records of the cases before the review committees.

b. Violations of the cotton, wheat, peanut and tobacco marketing quota programs, including also a few cases remaining under the 1950 cotton marketing quota program.

c. The collection of delinquent crop insurance premiums.

d. Drafting many proposed amendments to the Agricultural Adjustment Act of 1938, as amended, the Federal Crop Insurance Act, as amended, and the Soil Conservation and Domestic Allotment Act, as amended.

e. Drafting of regulations and contracts and handling of claims for indemnities under the crop insurance program.

Appellate litigation in connection with production and adjustment programs: Ilaco v. Berry 81 S. E. 2d 276, decided on April 1, 1954, by the Supreme Court of South Carolina, involved issues of basic significance relative to acreage allotments or marketing quotas for tobacco under the Agricultural Adjustment Act of 1938. In upholding the principle that the allotment "is made to the farm and not the person who owns or operates the farm and, therefore, runs with the land," the Court sustained the Department's apportionment of an allotment between two farms which had originally been operated as one farm. The favorable outcome of this litigation is believed to be of great value to the Department in the administration of allotment programs under the Agricultural Adjustment Act of 1938.

6. Forestry and Lands Programs: Legal work and assistance performed in connection with the forestry and lands programs of the Department included matters involving:

a. Consideration of the legal validity of private land claims based on the general mining laws, which apply to approximately 150,000,000 acres of national forest lands withdrawn from the public domain. Assisting the Forest Service in contesting claims that appeared to be fraudulent or invalid, in quasi-judicial proceedings before the Department of the Interior which has authority to cancel invalid claims; participation in such proceedings by preparing pleadings,

introducing evidence, questioning witnesses and submitting legal arguments; also preparation of briefs in all cases appealed to the Director of the Bureau of Land Management and the Secretary of the Interior. Determination of the character and scope of the surface rights which are appurtenant to privately owned minerals in acquired national forest lands, and assistance in the preparation and prosecution of civil actions arising out of improper or unlawful mining operations on such lands.

b. Prosecution of civil and criminal actions arising out of fire, timber, grazing and occupancy trespasses, and preparation of modification of grazing regulations of the Secretary under the Granger-Thye Act of April 24, 1950 (50 Stat. 88, 16 U.S.C. 580-1).

c. Legal assistance in connection with the granting by quit-claim deeds to the States and State agencies of certain lands administered under Title III of the Bankhead-Jones Farm Tenant Act which were made available to States and State agencies by long-term leases and cooperative and license agreements.

d. The transfer by Executive Order of certain nursery projects formerly administered under the act of April 27, 1935 (16 U.S.C. 590a et seq), for use, administration and disposition under Title III of the Bankhead-Jones Farm Tenant Act.

e. Review of legislative reports covering forest and range programs. Also, additional work on the so-called Stockmen's Bill which, if enacted, would give to permittees holding preferences on the national forests specified rights and preferred uses.

f. Assistance in drafting proposed language for inclusion in the Baker bill (H.R. 8225) providing for appropriation of part of the national forest receipts for recreational use and for collecting fees for use of the national forest. Also review of the Department's reports to Congress relative to this bill.

g. Review of proposed revision and amendments to the Secretary's regulations pertaining to the national forests, assistance in drafting suggested language for a uniform State law relative to the control of forest insects and diseases, and review of revision of departmental publication concerning the law of water rights in the western States.

h. Furnishing of legal advice in regard to legislative proposals (Hope-Liken bills) to authorize the Department of Agriculture to cooperate with States and local agencies in planning and carrying out programs for watershed protection.

7. General Legal Services: Furnishing legal advice and assistance in connection with general departmental administration, and the activities of the Agricultural Research Service and Farmer Cooperative Service, including recent activities as follows:

a. Personnel Security Program for the Department, involving considerable assistance from this Office in the evaluation and disposition of FBI reports.

b. In connection with the Foot-and-Mouth Disease Eradication Program in Mexico, considerable legal service was rendered both in Washington and at the site of operations. A major project was assisting administrative officers in preparation of a contract for the erection of a rendering and disposal plant in the State of Vera Cruz, and in administering and settling the contract for the plant, which was completed during the fiscal year.

c. Under the authority of Reorganization Plan No. 2 of 1953, the Secretary placed into effect a major internal reorganization of the Department. Assistance was rendered in the preparation of numerous documents placing this plan into operation, such as delegations of authority to agencies, and revision of appropriation language.

d. The enactment by the Congress of a new law providing payment for use of Penalty Mail required considerable legal attention in determining the effect of such law on special associated activities of the Department, such as use of the penalty privilege by State extension services and experiment stations.

e. Increased attention was given to the problems of the Department's new Foot-and-Mouth Laboratory on Plum Island, New York. A number of contract and other issues were considered, which arose from the unusual nature and isolation of this facility.

f. Considerable legal attention was required from the Department's animal disease indemnity operations. A number of issues arose under the Vesicular Exanthema operations and new documentation was required to implement the attack on "scrapie" disease of sheep.

g. Farmer Cooperative Service work consisted primarily of the preparation of a periodic summary of decisions affecting cooperatives for distribution by the Service, review for legal sufficiency of other publications of the Service and the preparation or review of correspondence in regard to various legal phases of the organization and operation of farmers' cooperatives including income tax matters. Highlights were questions incident to the transfer, effective

December 4, 1953, of the cooperative research, service, and educational functions from Farm Credit Administration to this new agency; participation in several regional educational meetings held to discuss the income tax and related problems of cooperatives; and help on a study of anti-trust legislation as affecting cooperatives, prepared incident to the Attorney General's national study of the anti-trust laws.

8. Marketing and Regulatory Laws: The legal work performed during the fiscal year 1954 in connection with the programs in this field administered by the Department showed a substantial increase over the level of such work prevailing in the fiscal year 1953 primarily due to increases in the work with respect to certain programs, particularly in the marketing agreement and order field, as indicated by the following examples:

a. During the fiscal year 1954, 60 hearings were held in connection with new milk orders or amendments to existing orders and 10 such hearings were held in the fruit and vegetable field, making a total of 70 hearings during the year. This represents the greatest number of promulgation hearings held under this program in any year since its inception and constitutes an increase of 17 over the number of such hearings held in the fiscal year 1953. Two new milk orders and 1 new fruit and vegetable order was made effective resulting in 79 active programs (50 milk and 29 in the fruit, vegetable, etc. field) at the close of the fiscal year, a new high in the number of programs being serviced. Seventy-two amendments to orders were promulgated during the year as against 42 in fiscal year 1953. At the close of the fiscal year 11 formal promulgation proceedings in connection with proposed new milk orders and 2 with respect to fruits and vegetables were pending in various stages of progress and an additional 10 proposed new milk order programs were under serious consideration although formal proceedings had not been instituted.

In addition to the new order promulgation proceedings, there are now pending a number of important administrative and judicial proceedings relating to milk orders which require comprehensive factual and legal analysis and preparation because of the importance of the issues involved. The extent of the legal services required in such administrative proceedings is indicated by the fact that a pending hearing has to date extended over a period of 38 days (5300 pages of testimony) and is not yet completed. Although this case is not typical of all such proceedings, it is not unusual for hearings to extend over a matter of weeks. In a recent judicial proceeding connected with this program the record for the analysis and certification approximated 40,000 pages. The trend which became apparent during the fiscal year 1952 of demands for milk marketing

orders in new and distant areas continued through 1953 and at an accelerated rate through 1954, resulting in a substantial increase in the travel requirements of attorneys in handling administrative proceedings and litigation arising under new programs and in connection with applications therefor.

The increase in volume of work has continued into fiscal year 1955 as shown by the fact that in the first quarter of fiscal year 1955 there were 8 promulgation hearings held, 21 amendments became effective, and as of October 1, 1954, there were 82 orders in effect. As of October 1 there were pending 8 new programs on which hearings had been held and, in addition, 18 new programs which had been requested by producers and were under serious consideration. Five of the latter are based upon amendments to the act contained in the Agricultural Act of 1954.

b. The level of legal work in connection with the Packers and Stockyards Act continued at approximately the same level as in the fiscal year 1953. An extensive revision of the regulations under the act was prepared for promulgation during the fiscal year. The revised regulations were promulgated to be effective in September 1954. There is presently pending a suit challenging one provision of the new regulations. A substantial increase in work is anticipated involving interpretation and enforcement of the new regulations.

c. Under the Perishable Agricultural Commodities Act, 255 cases were instituted during the fiscal year 1954 as compared with 250 in 1953, 224 in 1952, and 170 in 1951. A careful review and appraisal of procedures with a view to streamlining and expediting the disposition of cases resulted in the disposal of 282 cases during the year as against 235 in fiscal year 1953. There were nevertheless 142 cases pending at the end of the fiscal year.

Although the volume of new cases instituted is generally substantially lower in the summer months, during the period July 1 to September 30, 1954, there were 58 new cases instituted.

d. The increase in voluntary and mandatory use of official standards in commerce continued to result in the promulgation of standards for additional new commodities and more frequent amendments to existing standards with an increase in the legal work required. The increase in the importance of the inspection service in the conduct of business and in price determination has resulted in greater importance being attached to administrative proceedings in matters of denial or inspection service.

c. The continuance of the expanded quarantine regulations in connection with the nationwide program to suppress and eliminate vesicular exanthema has resulted in a substantial increase in legal work in this field, particularly in connection with the frequent revisions of quarantine areas and enforcement cases.

Example of appellate litigation in connection with marketing and regulatory laws: Cella v. United States, 208 F. 2d 783, decided on December 2, 1953, by the U. S. Court of Appeals for the Seventh Circuit, certiorari denied by the Supreme Court on June 7, 1954, presented important and broad issues under the Packers and Stockyards Act. False weighing had become so widespread in the stock yards in Chicago that, as estimated, it aggregated one million dollars per year, and this case was one of 56 proceedings instituted by the Department against dealers to suspend or revoke their licenses on the ground, as charged by the Department, that such dealers obtained false weights by means of bribing weightmasters. The Department's position was sustained by the Court's opinion, and the result is of wide significance.

The Supreme Court of the United States filed its opinion on June 7, 1954, in the litigation relative to the unloading charges imposed by the railroads on the shipments of fresh fruits and vegetables to the New York piers and to the produce terminal platforms in Philadelphia. The Secretary of Agriculture intervened in this litigation, and the style of the case is Secretary of Agriculture, et al. v. United States, et al. Numerous agricultural organizations intervened in this litigation and also the City of New York, and the Port of New York Authority, and various railroads intervened as litigants. The unloading charges totalled approximately four million dollars per year. One of the issues related to whether the Interstate Commerce Commission has power to approve separate charges for unloading without considering the reasonableness of the line-haul rates. The unloading charges were approved by the Commission, and the District Court affirmed the order of the Commission, but the Supreme Court vacated the judgment of the District Court and remanded the entire controversy to the Commission for reconsideration.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954 were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations: 1954	Estimated obligations: 1955	Estimated obligations: 1956
Allotment from:			
Disaster Loans, Etc., Revolving Fund,			
Department of Agriculture - For legal			
services in connection with disaster			
loans, fur loans, and the liquidation			
of the Regional Agricultural Credit			
Corporation assets	\$16,541:	\$25,000:	\$25,000
Obligations Under Reimbursements From			
Governmental and Other Sources:			
Salaries and Expenses:			
Sale of personal property	1,400:	1,400:	1,400
Refund of terminal leave	730:	400:	400
Services performed for other			
agencies	3,103:	- -:	- -
Total	5,233:	1,800:	1,800
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND			
OTHER FUNDS	21,774:	26,800:	26,800

OFFICE OF THE SECRETARY

Purpose Statement

The Department of Agriculture was established as an executive department by the Act of May 15, 1862. The Secretary of Agriculture, assisted by the Under Secretary, the Assistant Secretaries, and members of their immediate staff, directs the work of the Department, formulates and develops policy, integrates the several programs of the Department, maintains departmental relationships with agricultural organizations and others in the development of farm programs, renders administrative decisions in regulatory proceedings pertinent to Department programs, and maintains close liaison with the Office of the President and with members of Congress on all matters pertaining to legislation and policy in order to insure effective performance of the agricultural programs.

The following specific departmental functions are also included in the Office of the Secretary:

Personnel administration and service is carried out by the Office of Personnel which serves as a staff agency of the Secretary having responsibility for the personnel management program of the Department. This includes classification, job evaluation, salary and wage administration, hours of duty, recruitment, placement, retirement, separations, leave, employee relations, training, safety, organization, incentive and awards programs, investigations and health. The Office has responsibility for the development of personnel policy for the Department, and for executing and interpreting the intent and policies expressed in over 200 laws, various executive orders, and the rules, regulations, policies and decisions of the several agencies of the Government in the field of personnel management. In carrying out these responsibilities, the Office delegates substantial authority to agencies within the Department for the operational phases of the appointment, classification and disciplinary activities. Policy and basic procedures developed by the Office are carried out through agency personnel offices. In addition to the continuous day to day contacts on specific problems, the Office conducts a systematic and periodic review to insure unification of the personnel management program and to measure its effectiveness and how well it serves the agencies' personnel management requirements.

Budgetary and financial administration and service is carried on by the Office of Budget and Finance which serves as a staff agency of the Secretary in carrying out departmental functions relating to over-all administration of the budgetary, procurement, and fiscal affairs of the Department. It has responsibility for providing leadership and coordination of these activities throughout the Department, including the acquisition and distribution of funds; accounting; auditing; budgetary and financial reporting; organization and management of budget, fiscal, and procurement activities; purchasing, warehousing, utilization and disposal of administrative and operating supplies and equipment; and related activities. It coordinates, in the field, the

activities of Area Agricultural Equipment Committees to insure maximum effective utilization of administrative supplies and equipment owned and procured by the Department.

The Office also has responsibility for formulating and promulgating departmental policies and procedures relating to the above functions, including the review and evaluation of program and legislative proposals for budgetary, financial, and related implications, and, in cooperation with staff and program agencies, for obtaining improvements in the management and operation of work programs administered by the Department. The Office acts as Department liaison on all such matters with the Bureau of the Budget, General Services Administration, General Accounting Office, Treasury Department, and others. It also provides liaison with Congressional Committees on Appropriations.

General operations, which are carried on by the Office of Plant and Operations, consist of exercising general direction of the housing of the Department's activities, including technical services incident to the design and approval of construction projects related thereto, contractual authority as it pertains to the leasing of commercial space and all matters concerned with the disposition of surplus real property. The office is responsible for administration of the records management program for the Department, including the coordination of records management activities of all agencies of the Department. It serves as Department liaison with other Government agencies on matters pertaining to its functions. The Office performs administrative service functions for the Office of the Secretary and also operates certain Departmental services in the District of Columbia, including telephone, telegraph, reproduction, duplicating, addressing and mailing, central storage and distribution of supplies and forms, motor transport service and the Departmental post office.

Regulatory hearings and decisions include the work of the Office of Hearing Examiners and the Judicial Officer. The Hearing Examiners carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U.S.C. 1006, 1010). Hearings are held in connection with prescribing of new regulations and orders, and on disciplinary complaints filed by the Department, or on petitions filed by private parties asking relief from some action of the Department. In general, the examiners make reports, recommend decisions, and perform such related duties as are required by the Administrative Procedure Act, and statutory provisions, regulations, and rules of practice applicable to their work.

The Judicial Officer renders final administrative decisions in regulatory proceedings, and is responsible for preparing "Agriculture Decisions," a monthly publication containing decisions in connection with all quasi-judicial functions and administrative hearings of the Department.

The Hearing Clerk Unit, which operates under the Judicial Officer, has the responsibility for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and

other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department. The Unit issues notices of hearings, serves upon parties concerned any documents required in connection with such proceedings, arranges for suitable places for hearings to be held and for appropriate stenographic reporting, and maintains a docket record of all documents and proceedings.

The National Agricultural Advisory Commission was established pursuant to Executive Order 10472, approved July 20, 1953. It reviews national agricultural policies and the administration of farm programs, and makes recommendations to the Secretary of Agriculture for the betterment of such policies and programs.

On November 30, 1954, employment in the staff offices comprising the Office of the Secretary consisted of 487 employees, 480 of whom were in Washington and 7 in the field.

	Appropriated, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated funds	\$2,116,000	\$2,172,600

Transfer in 1956 Estimates

The 1956 Budget includes a transfer in the estimates of \$36,000 from the item "Salaries and Expenses, Office of the Solicitor" to "Salaries and Expenses, Office of the Secretary" for the following functions:

Hearing Clerk Unit. A small unit formerly in the Solicitor's Office has the responsibility for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department. This unit issues notices of hearings, serves upon parties concerned any documents required in connection with such proceedings, arranges for suitable places for hearings to be held and for appropriate stenographic reporting, and maintains a docket record of all documents and proceedings.

Editing of Agriculture Decisions for Publication. "Agriculture Decisions," a monthly publication containing decisions of the Secretary of Agriculture in connection with all quasi-judicial functions and administrative hearings of the Department are edited and published for use of administrative officials of the Department and others.

The nature of the work performed is not legal in character, but it does relate directly to the responsibilities and functions of the Judicial Officer who is assigned to the Office of the Secretary. These functions were transferred, effective January 3, 1955, from the Office of the Solicitor to the Office of the Secretary where related functions are performed by the Judicial Officer and the Hearing Examiners.

(a) Salaries and Expenses

Appropriation Act, 1955	\$2,080,000
Transferred from "Administrative expenses, Commodity Credit Corporation"	+84,280
Transferred in 1956 estimates from "Salaries and expenses, Office of the Solicitor, Agriculture" for expenses of hearing clerks and for editing "Agricultural Decisions".	+36,000
Base for 1956	<u>2,200,280</u>
Budget Estimate, 1956:	
Direct appropriation	\$2,172,600
Transfer from "Administrative expenses, Commodity Credit Corporation"	<u>84,280</u>
Total available, 1956	<u>2,256,880</u>
Increase (for strengthening inspection and investigation program at the Departmental level)	<u>+56,600</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
1. General administration	\$466,751	\$474,798	+\$56,600(1)	\$531,398
2. Personnel administration and service	492,956	476,609	- -	476,609
3. Budgetary and financial administration and service	707,312	677,998	- -	677,998
4. General operations	447,450	425,975	- -	425,975
5. Regulatory hearings and decisions	129,000	133,400	- -	133,400
6. National Agricultural Advisory Commission	- -	11,500	- -	11,500
Unobligated balance	71,859	- -	- -	- -
Total available	<u>2,315,328</u>	<u>2,200,280</u>	<u>+56,600</u>	<u>2,256,880</u>
Transferred from:				
"Administrative expenses, Commodity Credit Corporation"	-84,280	-84,280	- -	-84,280
"Flood prevention, Agriculture"	-7,548	- -	- -	- -
Subtotal	<u>2,223,500</u>	<u>2,116,000</u>	<u>+56,600</u>	<u>2,172,600</u>
Transfer in 1956 estimates from:				
"Salaries and expenses, Office of the Solicitor, Agriculture"	-35,500	-36,000		
Total appropriation or estimate	<u>2,188,000</u>	<u>2,080,000</u>		

INCREASE

(1) General Administration - an increase of \$56,600 to strengthen departmental facilities for inspection and investigation of agency activities.

Need for Increase: The Department has recently completed a critical review and evaluation of its inspection facilities. This review included all inspection, audit and investigation activities conducted at the agency and departmental levels, and also included a comprehensive study of the assignment and execution of staff responsibilities in connection with these activities. This review indicated the necessity for strengthening the departmental staff responsibilities relating to agency program compliance and investigation activities and the advisability of further intensifying staff inspection of agency internal audit activities. It was also apparent from this review that action must be taken to strengthen present facilities relating to the detection and investigation of employee activities which might be detrimental to the Government, such as misconduct, acts of impropriety, neglect of duty, alleged wrongdoings and unethical conduct, etc.

The effective and efficient conduct of the Department's activities requires extensive decentralization of program functions and responsibilities. This, in turn, has made it necessary to delegate responsibilities to many field offices and individuals. It is essential, under such circumstances, that the Secretary and members of his staff have assurance that agencies are accomplishing their assigned functions in an efficient and effective manner. The inspection staffs of the individual agencies must provide management with confident assurance that within their respective spheres of responsibility there is no mishandling of funds, wasting of efforts or irregularities of any type and that their over-all policies, plans, and procedures are being carried out in the most effective and business-like manner. It is also necessary to provide staff leadership and guidance at the departmental level for the development and maintenance of effective inspection programs in the agencies and for the maintenance of a system of reporting of essential information disclosed by the inspections.

The Department has followed a policy of establishing inspection facilities in each agency where such a facility can render effective service to management. These facilities include general and special investigations and internal audit of program operations, as well as the detection and investigation of employee activities, such as misconduct, neglect of duty, acts of impropriety, etc. The Department's internal audit activities follow very closely the broad approach found in a number of large industrial and commercial operations. In this Department, as is true in private industry, internal audit has proved to be a very effective tool of management. The concept adopted by private industry that this activity should be an independent and objective fact-finding and fact-reporting staff has been followed closely.

Briefly the types of inspection facilities are as follows:

1. Investigations relating to employee activities, such as misconduct, acts of impropriety, neglect of duty, unethical conduct, alleged wrongdoings, etc.
2. Audit and investigation of operations include (a) internal audit which is concerned primarily with the adequacy, effectiveness and practicability of operating policies, plans, and procedures and compliance therewith; an appraisal of operating practices; the adequacy of safeguards for the protection of the resources of an agency and the degree of reliability of financial and accounting data; and (b) investigation of alleged or apparent program violations and irregularities such as criminal and civil fraud against an agency; degree of compliance with applicable laws, contracts or orders; violation of law in connection with transactions involving contractors, processors, producers, and others.

At the present time there is a small staff at the departmental level which is directly responsible for providing leadership in the development and installation of internal audit activities at the agency level. This limited staff has devoted its attention primarily to the development of standards, policies and procedures in the internal audit field and very little has been done in the way of inspection of audit activities at the field level. There is also a small staff of investigators who are charged with the responsibility for performing personnel investigations, including those of unethical conduct or wrongdoing on the part of employees. This group also has the responsibility for conducting loyalty and security investigations. These staffs are not adequate to enable the Department to meet its inspection responsibilities.

Plan of Work: This work will be directed toward more effective agency inspection programs by developing (1) adequate coverage of agency operations, (2) better inspection programs and procedures with stress on operational inspections, (3) prompt and adequate investigations of employees suspected of misconduct or wrongdoings, (4) effective and prompt reporting to the Secretary and his staff of significant inspection findings, and (5) prompt corrective action based on unsatisfactory conditions disclosed by inspections. This will involve a review of standards, plans, programs, and procedures used by the agency inspection staffs, thereby providing a basis for constructive suggestions to the agencies for strengthening such inspection work.



STATUS OF PROGRAM

1. General Administration

The Immediate Office of the Secretary has broad responsibility for the development of national agricultural policies and for the general management of the Department of Agriculture under the laws enacted by the Congress.

Review and Coordination of Agency Programs. The reorganization and consolidation of agencies of the Department made effective in November 1953 has greatly facilitated the review and effective coordination of the programs of Department agencies. The new grouping of programs has strengthened administration of related activities and helped to focus efforts on programs most responsive to the needs of agriculture in general.

Agricultural Act of 1954. New legislation was enacted which makes important revisions in the agricultural programs beginning with the 1955 crops. This is the most far-reaching and comprehensive legislation of this kind in many years and is designed to bring better service to the farmer and to assure increasing prosperity to American agriculture. Important elements of this legislation include a special "set-aside" of certain commodities; a new flexible price supports policy; a new wool support program; authorization for continuation of the agricultural conservation program; and amendments to the Agricultural Marketing Agreements Act of 1937.

Agricultural Trade Missions: In March 1954 the Secretary of Agriculture appointed three agricultural trade missions, consisting of members broadly representative of the total export interests of American agriculture, to visit 35 countries relative to United States export and import trade with those countries. The report of these missions included a number of highly significant recommendations for the immediate and long range improvement of export trade in agricultural commodities, and for increasing the effectiveness of our Foreign Agricultural Service. All the recommendations are receiving careful attention with a view to implementation in a way to best serve the interests of agriculture and the foreign economic policy of the United States.

Agricultural Trade Development and Assistance Act of 1954. This Act (Public Law 480 - 83rd Congress), provides for increasing the consumption of United States agricultural commodities in foreign countries and for improving the foreign relations of the United States. It authorizes a program for the sale for foreign currencies of surplus agricultural commodities under agreements with friendly nations; directs the making available of such commodities for transfer under certain conditions to friendly nations in order to meet famine or other relief requirements; and contains a provision for barter or exchange of CCC-owned commodities. The functions delegated to the Department of Agriculture under this Act will be carried out through the facilities of various agencies of the Department under the general direction of the Secretary.

Participation in International Activities. In order to encourage international trade and promote the export of U. S. agricultural products, the Department's work in the foreign marketing field has been reorganized, revitalized and expanded. The Department participates in the negotiation of trade agreements and in other international arrangements affecting trade in agricultural commodities. It administers the International Wheat Agreement, represents the United States Government on various committees affecting international trade and national foreign policy, and furnishes the primary liaison with the Food and Agriculture Organization. The Department also participates in the administration of certain programs of technical agricultural assistance to foreign countries.

Organization and Management. Economy-minded supervision has been instituted for all Department activities, and some unessential offices of the Department have been closed in order to effect savings. The general reorganization of the Department referred to above resulted in the grouping of all Department agencies under the direction of the Assistant Secretaries or other Department officers. The organization of the Department was simplified and improved. Research (except Forestry and Marketing Research) was integrated within the Agricultural Research Service, which also conducts allied plant and animal disease and pest control regulatory work. The Soil Conservation Service was reorganized, its regional offices abolished, and its work brought closer to the farmers it serves. Marketing functions were placed in a new agency, the Agricultural Marketing Service, and are being given greater emphasis. Major reorganizations have also been made within the Rural Electrification Administration and the Farmers' Home Administration. Steps have been taken to improve the functioning of the State and County Agricultural Conservation Committees.

2. Personnel Administration and Service

The Office of Personnel is the staff office of the Secretary responsible for general direction, coordination, and administration of the Department's personnel management program. Broad functional responsibilities covering all phases of personnel administration are assigned to the six divisions comprising the Office with the exception of safety which is retained in the Director's Office. Personnel policies and procedures are devised to assist program officials in making the most effective use of all employees of the Department. An annual review is made of all existing policies and procedures and changes made to keep the personnel management program adjusted to the particular requirements of the Department's work. Prompt attention to specific problems and changing conditions is given on a continuous day to day basis. The Office, in carrying out the expressed policies of Congress, the President, Budget Bureau, Civil Service Commission, Bureau of Employees' Compensation, and other Federal agencies, makes delegations of authority to agencies to enable completion of personnel actions with a minimum of review and maximum economy in operations, issues written instructions to agencies concerning regulatory and administrative policies and procedures, and develops and administers standards and uniform practices for all phases of personnel management. More specifically, the Office is responsible for:

(a) Classification, Salary Administration, and Classification Specifications:

- (1) Supervises allocation of all positions in the Department; develops policies and plans for the compensation of employees occupying positions exempted from provisions of the Classification Act of 1949, as amended.
- (2) Develops policies with respect to hours of duty for employees.
- (3) Interprets appropriate laws, Civil Service Commission rules and Comptroller General decisions and develops policies and regulations on compensation, including within-grade increases, for the guidance of agencies of the Department.
- (4) Develops classification specifications for positions peculiar to the Department, and cooperates with the Civil Service Commission in drafting specifications for positions on a service-wide basis.

(b) Employee Performance and Development:

- (1) Develops policies and standards as guides for agencies of the Department for employee and executive development, employee relations, performance ratings, employee grievance and rating appeals.
- (2) Administers for the Department programs in developing supervisors and administrators, performance ratings, employee organization relationships, employee services and employee appeals.
- (3) Advises and cooperates with the agencies of the Department in carrying out these functions and acts as liaison with outside organizations such as other government agencies, educational institutions and private industry as a means of introducing improved practices and methods which will increase the efficiency of employees of the Department.

(c) Employment, Recruitment, Placement, Examination, Separation, and Retirement:

- (1) Develops and administers over-all recruitment and placement activities such as executive development agreements, training agreements, probationary trainee programs, employment of experts and consultants, contacts with Land-Grant Colleges and other educational institutions and career programs.
- (2) Administration of Civil Service Commission examining program including development of qualification and examination standards, administering a nation-wide examination program through Boards of Examiners for positions peculiar to the Department of Agriculture.
- (3) Administers the employment phases of the personnel management program including transfer, promotion, separation, leave, Social Security and unemployment compensation, and retirement.

(4) Analyzes and coordinates the compilation of Departmental personnel statistics.

(d) Organization and Personnel Management:

(1) Develops improved personnel procedures and organization patterns, reviews organization changes and maintains current organizational record of the Department; surveys and investigates Department's organization to improve structure, lines of authority and responsibility, flow of work and workload distribution to promote more effective use of personnel.

(2) Directs the review and appraisal of agency personnel program activities, develops standards of personnel office performance and maintains control records on delegated authorities.

(3) Participates in the development and execution of operating plans for the Department's Management Program and develops materials to encourage and maintain employee interest in management improvements. Arranges for the investigation of employee suggestions which require action at the departmental or higher level.

(4) Administers the Department's Incentive Awards Program which includes honorary and cash recognition of employees' outstanding achievements.

(5) Initiates the preparation of policy, regulatory and administrative personnel instructions.

(6) Studies and prepares departmental reports on pending legislation having personnel implications.

(e) Investigations:

(1) Investigates alleged violations of law applicable to the Department or violations of Department regulations.

(2) Investigates alleged mismanagement and misconduct of personnel within the Department and its instrumentalities.

(3) Establishes standards to be followed by agencies of the Department in conducting disciplinary investigations and in determining the action to be taken as a result thereof.

(4) Conducts security investigations, including full field investigations of occupants of sensitive positions; makes agency checks and inquiries for attendance at international conferences, special passports, and membership on interdepartmental committees dealing with matters important to the national security; and maintains control and custody of investigative files.

(f) Personnel Security:

Reviews reports of full field investigation of persons in sensitive positions to determine whether such employment is consistent with

the national security; recommends reassignment, suspension, and removal of employees on security grounds; prepares forms, orders, and reports for submission to the Secretary and others.

(g) Employee Health:

- (1) Supervises the health service facilities of the Department.
- (2) Provides treatment of on-the-job illnesses requiring emergency attention.
- (3) Assists in the conduct of employee health education.
- (4) Advises with employees on health matters and instructs employees injured in line of duty regarding compensation rights, report requirements and procedures.
- (5) Conducts health examinations as necessary.

(h) Safety:

- (1) Provides leadership for an employee safety program.
- (2) Maintains accident reporting procedure.
- (3) Keeps officials and employees advised of duties and rights under Employees' Compensation Act.

Examples of Recent Developments and Activities

The following examples represent some of the significant activities with which this Office has been concerned. They are representative of the continuing problems with which the Office must deal along with the fundamental function of planning and administering an effective personnel management program for the Department.

- (1) The Office conducted reviews of agency personnel offices, both in Washington and the field, having delegated personnel authorities. These reviews have resulted in better relationships because of a mutual understanding of each others problems and objectives which is essential to the unification of the Department's personnel program under a policy of delegated authority. More emphasis is being given to discussion with employees at the ground level in order to ascertain the effectiveness of the field personnel program at the point where the bulk of the Department's programs is carried out.
- (2) Activity in position classification was considerably accelerated by the Secretary's approval in November 1953 of Department reorganization under Plan No. 2. Practically every position in GS-14 through GS-18 at the Washington level in many of the services and agencies was affected by the reorganization. In addition, field services of a substantial number of agencies were immediately involved and required overhaul of affected key positions.

(3) In the salary and wage field the impact of the so-called "Fringe Benefits Act" requires particular attention in (a) the abolishment of the CPC schedule which involves about 1500 positions subject to conversion to the wage board system or the GS schedule, (b) control of deviations from the amended workweek provisions of the Act, (c) interpretation of new conditions of longevity increases in relation to prior legislation, and (d) analysis of conditions under which premium pay differentials of 25% and 15% are applicable in the Department.

(4) Additional importance is being given to incentive programs as a segment of Personnel Management. Public Law 763 requires that incentive awards should be given due weight in qualifying and selecting employees for promotion. New regulations are now being drafted to implement the law.

(5) Approximately 95% of the eligible employees of the Department are participating in the group life insurance plan. Two factors have added to the work normally to be expected in administering this program: (1) the speed in which it was put into effect, and (2) the complexities involved in extending coverage to cooperative employees who are not wholly paid from Federal funds.

(6) Considerable interest has been evidenced, both in the Department and in the Land-Grant Colleges, in studies which have been made on the evaluation of selection methods used in the recruitment of professional and scientific personnel at the entrance level. Some work along this line has been done and the results pointed up the need for further study in this field. The interest shown and the evident need for further information led to the inauguration of a study of selection methods which has gained wide-spread interest. This study was inaugurated by the Department of Agriculture with the cooperation of the Civil Service Commission and the Land-Grant Colleges, with the approval of the Association of Land-Grant Colleges. The Joint Land-Grant College - USDA Committee on Training for Government Service stated in their last meeting that this project promises to be the most important one in which that group has participated.

The plan involved the testing on a volunteer basis of graduating seniors in the spring of 1954 who were potential eligibles in any of the options offered in the Junior Agricultural Assistant examination. The results of these tests will be compared with other test results of similar populations and with the results of those who competed in the regular JAA examinations. An effort will be made to record the progress of the participants in the testing program over a 5-year period following their graduation.

Some 26 colleges participated in the study, and a total of over 1400 students were tested. Preliminary analyses have been made and further studies of the data are underway. It is believed that the results of this study will not only furnish the Civil Service Commission and the Department of Agriculture with valuable information on selection methods, but will also furnish the colleges and universities with information on which to base future curriculum planning and counseling programs.

(7) Assistance was rendered agencies in the solution of employment problems through the negotiations for special authorities under Schedule A and Schedule C of the Civil Service Rules and the analysis of rules relating thereto. Various detailed analyses have been made of the Key position structure of the Department to serve as a basis for determining the positions which should be placed under Schedule A or C or remain in the competitive service. An analysis was made of all Schedule A authorities available to the Department for determination with respect to the retention, or modification of such authorities based on current needs and use made thereof, and recommendations thereon were submitted to the Civil Service Commission. The cooperative agent authority under Schedule A is being given special and separate study in order to determine whether any positions previously filled under such authority properly belong in the competitive service. A revision of the Department's Agreement with the Civil Service Commission for the Appointment of Experts and Consultants without prior approval of the Commission has been drafted and approved by the Commission for the appointment of experts and consultants in positions excepted from Civil Service by contract or otherwise without the need for submitting individual cases for prior approval of the Commission.

(8) It has been a long standing policy of the Department to maintain recruitment contacts with sources of supply, particularly for professional, scientific, and technical positions. The plan through which this policy is carried out has been broadened and expanded during the past year. Under the revised program, a Department official in each State and territory is designated as USDA Recruitment Representative to maintain contact with sources of recruitment and particularly with students, faculty members, placement officers, and administrative officials in colleges and universities in his state. Recruitment Representatives are selected on the basis of their position, interest and location, and are felt to be well qualified to represent the Department.

Recruitment Representatives are furnished with all available information regarding recruitment needs of the Department, examinations open or to be announced, and qualification standards for the various types of positions. In addition to recruitment material regarding broad employment opportunities in the Department, they are furnished with specific information on a current basis regarding job openings. A particular effort is made to keep them informed of information regarding employment opportunities of interest to senior and graduate college students. This revised procedure is expected to increase the effectiveness of the Department's relations with recruitment sources and particularly the Land-Grant Colleges and other universities from which professional and scientific personnel are recruited.

3. Budgetary and Financial Administration and Service

General policy formulation and direction, review, inspection, and coordination of the budget, fiscal, and supply management functions of the Department of Agriculture are the responsibility of the Office of Budget and Finance, serving as a staff agency of the Secretary. The Office provides leadership and coordination of these activities through the development and installation of improved policies, methods, procedures and systems with a view to strengthening the management and operation of the Department's programs and activities.

The activities of the Office must at all times facilitate the attainment of the program objectives envisioned by the Congress with the maximum efficiency and economy. The prompt recognition and adjustment to changing conditions, and the effective meeting of new problems is essential to the prevention of wasted effort.

A constant awareness of and sensitivity to all aspects of the Department's work is necessary so that the application of practices and procedures make appropriate allowances for inherent differences in programs. More specifically, the Office is responsible for:

Policies and procedures. Major emphasis is placed by the Office on the necessity for continuous effort to improve the procedures and methods pertaining to the functions within its area of responsibility. This includes the formulation and promulgation of over-all departmental policies and procedures relating to these activities, the refinement of existing policies and procedures, the development of new methods and techniques to meet particular Department program needs, and the fostering of administrative and program management improvements through staff liaison and cooperation with agencies of the Department and with other governmental agencies concerned.

Budget formulation and presentation, and management of funds, involving the supervision and coordination of:

(a) The formulation, preparation and presentation of budget estimates and supporting justifications, including the review, analysis and evaluation of agency estimates, the preparation of budgetary and statistical statements, etc., relating thereto, and the presentation of the estimates to the Budget Bureau and Appropriations Committees of Congress.

(b) The allotment and apportionment of funds and preparation and review of current obligation reports thereon, in order to provide for the orderly management of the expenditure of funds, consistent with the purposes for which they were made available.

Accounting and auditing functions, involving the revision and modernizing of agency accounting systems, improving financial reporting techniques, strengthening internal audits and controls, and developing simplified fiscal operating procedures. These functions are carried out through review

and analysis of agency accounting systems, reporting, and auditing requirements with a view to:

- (a) developing accounting systems in conformity with sound principles and standards to meet management needs,
- (b) coordinating agency procedures and methods to meet program management needs as well as the requirements of the Treasury, General Accounting Office, and other agencies,
- (c) perfecting the systematic flow of accounting data to facilitate improved internal and external financial reports,
- (d) furnishing technical assistance to agencies in developing improved appropriation, cost, and revolving fund accounting systems and methods adapted to their particular needs,
- (e) developing and issuing over-all departmental regulations and policies on accounting and auditing operations,
- (f) supervising and coordinating the development in the agencies of policies, methods, standards and scope of internal audit programs.

In addition to the above accounting and auditing functions having Department wide application, the Office performs the payrolling, voucher examination, and administrative fund accounting for the Office of the Secretary, including the staff offices and the Working Capital Fund.

Budgetary and financial reporting. This includes the formulation and maintenance of a comprehensive and integrated system of financial and budgetary reporting within the Department; the review and analysis of agency reports to determine completeness, timeliness, etc.; the preparation of regular consolidated and special financial and statistical statements covering all fiscal operations of the Department, including capital, appropriated, and other funds; the development of standards for effective and useful financial and budgetary reports; and advice to the agencies to facilitate use of financial, budgetary, and related operating statements.

Procurement and supply management activities relate to the standardization, acquisition, storage, distribution, effective utilization, replacement, and disposition of administrative and operating supplies and equipment; motor vehicle management; and to the formulation and promulgation of policies, regulations, and procedures in connection therewith, including the administration of delegations of procurement and sales authorities, and the analysis and review of agency operations.

Program review, consisting of analyses and evaluations of the budgetary, financial, and legislative aspects of program proposals and program operations.

Legislative reporting, including coordination of the preparation, review, and clearance of legislative proposals and reports, and the furnishing of legislative information relating to agriculture to departmental and agency officials.

Fiscal management, involving a wide range of budgetary, fiscal, and administrative problems, including the development of improved and simplified operating methods, procedures, administrative regulations and requirements, and operating instructions and controls; management improvements; measures of economy and efficiency; and the management of administrative and program forms. This function is carried on in close cooperation with other staff offices and governmental agencies.

Liaison. The Office serves as the central point of contact for the Department on budgetary, fiscal, procurement, legislative, and related matters with the Bureau of the Budget, General Accounting Office, Treasury Department, General Services Administration, and others. It also provides liaison with Congressional Committees on Appropriations.

Examples of recent activities. Following are examples of work accomplished during the last fiscal year which is indicative of problems on which work is now being done, and with which the Office must deal constantly:

(a) Budgetary administration:

(1) Revision of appropriation and activity structure for 1955 Budget. In connection with the reorganization of the Department a thorough review of the appropriation and account structure of the Department enabled (a) a reduction in the number of appropriation accounts from 54 to 39; (b) simplified preparation and presentation of the Budget; and (c) assignment of budgetary procedural responsibility for several accounts to specific agencies consistent with the lines of program responsibility and authority assigned those agencies.

(2) Review of annual budget process. In cooperation with committees of agency budget officers, suggestions for improvement and simplification of the budget process were reviewed and evaluated. As a result, certain changes in the Department's procedures are being made and comprehensive recommendations for simplifying the preparation and presentation of the annual Budget were furnished to the Budget Bureau.

(b) In budgetary and financial reporting a significant new development was the analysis of the realized cost of agricultural programs over the 22-year period from 1932 through 1953. Realized cost, representing the net cost actually incurred to date, was adopted as the basis for this study since it represents the best common denominator applicable to all programs regardless of how financed. Several statements showing these realized costs were prepared and made available to Members of Congress and organizations and individuals interested in agriculture.

(c) Accounting systems development work has progressed on an individual agency basis. In each case consideration is given to the size, type of organization, extent of field activities, and programs of the agency, with a view of providing more meaningful, timely, and reliable financial data for management use and reporting purposes. This work is performed in cooperation with the General Accounting Office accounting systems staff and representatives of the applicable agency. During the year work on the modernization of general ledger accounts, simplification of subsidiary records, preparation of operating manuals, and related procedures were in progress in nine agencies of the Department.

Complete revision of the accounting systems of each agency is a big task and will take considerable time to complete. Examples of accomplishments during the year are:

(1) A continued survey of the accounting system and procedures of the Forest Service led to the development of proposals for simplifying the accounting for deposits which are available for reforestation, improving control over potential receipts through use of pre-numbered documents, improved control over receivables through accounts in the general ledger in connection with sales of forest products and uses of forest lands for grazing and other purposes, and providing information through accounts on the amount of receipts that are earned and disposition of unearned amounts.

(2) A revised accounting system for the Federal Extension Service was installed at the beginning of the fiscal year. A manual was prepared which set forth the basic principles and standards incorporated in the system. The system features a simplified method of control on obligations thereby eliminating the use of allotment ledgers, and provision has been made for accounting controls on collections and personal property. This system was approved by the Comptroller General on October 25, 1954.

(3) A survey of accounting and fiscal activities was made in the Office of the Solicitor and a revised accounting system was developed and installed. The principal changes effected by the new system include (a) control of funds through one allotment instead of seventy, (b) separation of allotment control from objective class recording, (c) a more equitable basis for distributing indirect expenses to budget activities, (d) revision and simplification of the general ledger, (e) use of a simplified expenditure distribution ledger, (f) improved reporting procedures, and (g) strengthened internal control. The accounting system was approved by the Comptroller General on August 30, 1954.

(d) Considerable progress was made in bringing more activities of the Department within the purview of internal audit and in improving the effectiveness to management of such audits within the Department. A statement setting forth the Department's concept relative to the nature, authority, objectives, and activities of internal audit was prepared and released for agency guidance. In addition this Office continues to collaborate with agencies' audit staffs in development of audit programs, the determination of scope and coverage of audits, and in the application of techniques, and procedures.

(e) Procurement and Property Management: Supply Management. A new chapter on Stores Management was added to the Administrative Regulations to provide policies and procedures for establishing and maintaining inventories of personal property. Studies were made, and are being continued, of major warehousing facilities and cupboard stock operations to assist the agencies in the establishment and maintenance of appropriate inventory levels including methods of control.

The Office participated in several agency conferences on training in supply operations. Studies were started on supply distribution channels in those areas having major concentrations of Department agency offices in order to establish standard distribution patterns where feasible. Complete analyses of procurement and supply functions were made in three agencies to assist them in the development of improved policies and procedures and other similar analyses are in progress. Inspections of supply operations were made at 37 representative agency field locations to determine standards of economy and efficiency and the adequacy of management techniques and principles.

Procurement Management. The pamphlet on small purchase procedures was revised and issued as a training aid to enable better understanding of the simplified procedures as well as to stimulate interest of all those concerned in examining and improving existing procurement practices.

As a further means of providing sound purchasing procedures, the Administrative Regulations on open market purchases were completely revised. The Office also carried on studies in the broad field of purchase standards to assure proper control and uniformity in purchasing certain common use items for identical or similar use.

In connection with the Federal Specifications and Standards program, the Department accepted assignment from GSA of 33 independent specifications and, on a continuing assignment basis, 5 broad categories of Federal Specifications on food. In addition, 381 proposed, or revisions of existing, Federal Specifications, and 20 proposed Federal Standards, were reviewed and recommendations made thereon to GSA.

Property Utilization and Management. Emphasis was placed on maximum utilization of equipment and other personal property through (1) the development and issuance of standards of use, and policies and methods for maintenance, repair and reconditioning of certain categories of property, (2) a continuing program of fostering agency use of available excess, and (3) assistance to agencies in acquiring needed property from that declared excess by other Federal agencies. In collaboration with the General Services Administration and the Bureau of the Budget, improved policies and procedures were developed in the area of motor vehicle management, especially as they relate to (1) reporting procedures, (2) replacement standards, (3) operating efficiency, and (4) utilization. Management controls were improved through a complete revision and issuance of Department regulations and procedures relating to personal property accountability.

4. General Operations

In the fiscal year 1954 the Office of Plant and Operations gave increased emphasis to providing Department-wide leadership, coordination and guidance in the fields of real estate and records management services.

Real Property Management Services. The space problems of the Department of Agriculture occasioned by the reorganization of the Department occupied the principal attention of this office in both Washington, D. C. and the field.

The suspension of the program for the consolidation of State and County offices continued, pending further study of the values of that program. Considerable activity in this field was inevitable, however, due to the departmental reorganization and changes in size of both State and County offices of all the principal agencies affected by this program. Growth of the Agricultural Conservation and Stabilization County Offices was responsible for the deconsolidation of a number of county offices during the course of the year. In the case of consolidated State offices it was possible in all instances to make necessary adjustments without breaking up the consolidation.

In the course of the involved planning for the rearrangement of offices in Washington, D. C. necessitated by the reorganization of the Department referred to above, it was possible to make arrangements to absorb into the Department buildings all offices formerly housed in leased quarters. This accomplished a long-time goal of the space management program of this office.

The greater delegation of operating authority by the General Services Administration to its Regional Offices has resulted in increased liaison responsibility of this office. The need for such contact was considerably increased during the last year by limitations imposed on General Services Administration funds for rental and the consequent request for agencies of the Department to move to premises held by General Services Administration under long term leases.

Another extremely important activity of this office was collaborating with the General Services Administration in developing a Government-wide program for bringing up to date and maintaining current the inventory of real property. This was coordinated with the program sponsored by the Bureau of the Budget and the General Services Administration for the immediate disposal of real property not needed for day-to-day operations of the Government.

A principal accomplishment of the Office in 1954 was the complete revision and reorganization of the Department regulations relating to the management of real property.

Engineers of the office acted in a consultant capacity with representatives of the Department agencies and the General Services Administration in the extensive alterations required for the establishment of several major field offices.

In line with the long term program for improving the space in which the Department is housed, continued close contact with General Services Administration was maintained and through mutual effort certain major repairs and alterations were made in the Agriculture buildings in Washington.

Engineers of this office continued to serve as representatives on the Federal Fire Council and worked with the Building Research Advisory Board and the American Standards Association. The office also continued to work closely with the General Services Administration and the USDA Safety Council in matters pertaining to employee safety.

Sixteen reports of excess real property were made to General Services Administration in the past year and 165 cases of excess property were disposed of under delegated authority. The office also prepared and submitted a report of the preliminary study and space estimates for the Department for the proposed Post Office and Federal Buildings in seven cities.

The Department of Agriculture occupied 1,459,497 square feet of space in the District of Columbia and 14,234,927 square feet of space in the field as of June 30, 1954.

Records Management Services. This Office has staff responsibility for administering the records management program for the Department as contemplated by the Federal Records Act of 1950, 64 Stat. 583. This responsibility takes into consideration the three major phases of records management, namely, the providing of effective controls over the creation, maintenance and use, and the disposition of all records in the Department. The office also coordinates the records management activities of the agencies of the Department through (1) collaboration with them in the development and application of standards, procedures, and techniques designed to carry out these phases, and (2) assistance to insure full compliance with the provisions of the Federal Records Act of 1950 and any regulations issued under this act.

Assistance was given to eight agencies in compiling records control schedules for all major groups of records in their custody. Substantially all records in the Department are now covered by these schedules, and under the mandatory provisions thereof such records will at certain specified periods be disposed of by the agency concerned or forwarded to a Federal Records Center where after further retention will be disposed of in accordance with the schedules or thereafter sent to the National Archives when it is determined by the Archivist that they have sufficient historical or other value to warrant their continued preservation by the United States Government. The completion date for control schedules covered by this project was June 30, 1954.

In February 1954 this office completed its revision of Office of Plant and Operations Publication No. 9 (Rev.), "How to File Correspondence Records." This publication which is designed primarily to serve as a guide for records officers, clerks, secretaries and others who must file and find records in small or medium sized offices or organizations is already proving to be a useful records management tool. Through its use an organization can better determine whether the maximum efficiency of its filing system has been attained.

The office is assisting several of the agencies in installing the Subject-Numeric System. The installation of this filing system, agency-wide, should constitute a substantial contribution to the maintenance and use of its records in an efficient and economical manner.

The reorganization of the Department activities has resulted in a stronger and more active records management program which requires continued leadership of the highest caliber. Close working relations with the agencies in Washington and the field is maintained to give them the maximum assistance in carrying out their respective responsibilities under the records management program.

The following constitutes the highlights of the annual statistical summary of records holdings as of June 30, 1954:

	<u>Washington, D. C.</u>	<u>Field</u>
Volume of records on hand at the beginning of the fiscal year (cubic feet)..	171,845	745,979
Volume of records disposed of during the fiscal year (cubic feet)	12,578	90,304
Volume of records transferred to other agencies during the fiscal year (cubic feet)	11,928	22,962
Volume of records on hand at the end of fiscal year (cubic feet)	161,857	727,101

Technical Services. This office was consulted by and offered advisory services to Department agencies on procurement problems in which the application of engineering principles were involved. This service is devoted principally to the selection, specification, operation and maintenance of mechanized equipment in various categories such as automotive, construction, farm, laboratory, and research, together with appliances and apparatus supplemental thereto. The personnel of the office participated in various departmental and inter-departmental conferences and committees engaged in the development of Federal specifications, motor vehicle and shop management, Commercial Standards simplified practice recommendations and safety.

Administrative Services. Services were rendered to the over-all Office of the Secretary, including budget, personnel, property, space and records management services.

Service Operations. This office is responsible for the furnishing of reproduction and mailing services and for the central storing and issuing of supplies and printed forms to all agencies of the Department in Washington as well as for the operation of the central Departmental telephone switchboard, the telegraph office, motor transport service, and the Department's Post Office.

Scrutiny of the operations of the office continued during the year with the object of improving service while reducing operating costs. It has been recognized for a number of years that the space and arrangement of working facilities in the Department Post Office have been inadequate for the effective processing of the Department's official mail. Accordingly, plans were developed to better utilize the restricted space by redesign and rearrangement of working facilities. This will undoubtedly permit better utilization and provide means for a more efficient and expeditious processing of the Department's official mail matter.

In order to make room for other agencies heretofore lodged in rented quarters, further space economies were made in the Central Supply Section. By rearrangement, disposal and consolidation of supplies and forms, approximately 3,150 square feet of floor space in the sub-basement of the South Building were relinquished for reassignment.

5. Regulatory Hearings and Decisions

The Office of Hearing Examiners holds hearings when called on to do so by the administrative agencies of the Department in connection with the prescribing of new regulations and orders and hearings on disciplinary complaints filed by the Department against individuals and on petitions filed by private parties asking relief from some action of the Department or its agencies.

In general, the examiners make reports, recommend decisions, and perform such related duties as may be required by the Administrative Procedure Act and the statutory provisions, regulations, and rules of practice applicable to various matters under their jurisdiction. In accordance with the Administrative Procedure Act, administrative hearings are, with few exceptions, held outside of Washington, D. C.

A comparison of the number of hearings held by hearing examiners under the various acts during the fiscal year ending on June 30 of each year is shown in the following table:

<u>Laws Involved</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Agricultural Marketing Agreement Act	79	64	69	63	103
Commodity Exchange Act	5	1	1	4	10
Packers and Stockyards Act	11	12	36	5	7
Perishable Agricultural Commodities Act	2	2	5	1	3
Sugar Act	2	2	2	2	4
Warehouse Act	1	0	0	0	0
Market Inspection of Farm Products	0	0	1	1	0
	<u>100</u>	<u>81</u>	<u>114</u>	<u>76</u>	<u>127</u>

The Hearing Clerk Unit has the responsibility for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department. They issue notices of hearings, serve upon parties concerned any documents required in connection with such proceedings, arrange for suitable places for hearings to be held and for appropriate stenographic reporting, and maintain a docket record of all documents and proceedings. A publication, "Agriculture Decisions," containing decisions of the Secretary of Agriculture in connection with all quasi-judicial functions and administrative hearings of the Department is issued monthly.

(b) Working Capital Fund, Department of Agriculture

The working capital fund is a "no-year" operating fund of \$400,000 established by the 1944 Agricultural Appropriation Act to pay the operating costs of certain centralized service organizations pending receipt of reimbursements for such costs from the agencies provided with the services. The integrity of the original appropriation is maintained from year to year by means of these reimbursements, and an appropriation in 1956 is, therefore, unnecessary.

Statements reflecting the assets and liabilities and income and expenses of the working capital fund as of June 30, 1954, as well as estimates for 1955 and 1956, are printed in the Budget schedules for the fiscal year 1956.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: : Obligations: : 1954	: Estimated : obligations: : 1955	: Estimated : obligations: : 1956
Allocations and Working Funds (Advances from other Agencies):	:	:	:
Rural Electrification Administration -	:	:	:
For expenses relating to investigations of rural electrification cooperatives	: \$17,209:	: \$18,950:	: - -
Foreign Operations Administration - To cover administrative expenses incident to the Mutual Security Act program	: 14,997:	: 10,700:	: - -
Total, Allocations and Working Funds .	: 32,206:	: 29,650:	: - -
Obligations Under Reimbursements From Governmental and Other Sources:	:	:	:
Salaries and Expenses	: 72,851:	: 81,481:	: \$81,481
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	: 105,057:	: 111,131:	: 81,481

PASSENGER MOTOR VEHICLES

The estimates for 1956 provide for a continuation of the authority to replace one of the automobiles assigned for the official use of the Secretary of Agriculture.

As of December 31, 1954, there were four automobiles assigned to the Office of the Secretary which are operated in the District of Columbia. During the fiscal year 1955, the Office of the Secretary will dispose of one automobile for which a replacement will not be purchased. Instead, one vehicle will be rented on an annual basis.

The rented vehicle will be for the use of the Secretary of Agriculture and the other three automobiles will be used on official business by the Under Secretary, the Assistant Secretaries, and members of their immediate staffs, as well as the heads and other responsible officials of the staff offices which comprise the Office of the Secretary.

The following tabulation reflects the age and mileage data for each vehicle assigned to the Office of the Secretary as of June 30, 1954:

<u>Number of Vehicles</u>	<u>Lifetime Mileage</u>	<u>Age Year Model</u>	
		<u>Number</u>	<u>Year Model</u>
3	20,000 to 30,000	1	1947
1	30,000 to 35,000	1	1948
		1	1951
		1	1952

OFFICE OF INFORMATION

Purpose Statement

The Office of Information was established under its present name in 1925 as a consolidation of functions formally organized as early as 1889, to coordinate in the Department the dissemination of information useful to agriculture as directed by the Act establishing the Department of Agriculture in 1862.

The Office has general direction and supervision of all publications and other information policies and activities of the Department, including the final review, illustrating, printing and distribution of publications, clearance and release of press, radio, television, and magazine materials, maintenance of central files of news and general illustration-type photographs; and the preparation and distribution of exhibits and motion pictures. The Office publishes the Yearbook of Agriculture, the annual report of the Secretary of Agriculture, the Department Directory, the Department List of Publications; handles the details of distributing farmers' bulletins allotted to Members of Congress; and services letter and telephone requests for general information received in the Department. It also produces motion pictures, art and graphics materials and photographic work for Department agencies and for other Government agencies through reimbursements.

Regular employment as of November 30, 1954, totaled 208. The Office has no field employees, except part-time or intermittent workers for seasonal use in displaying exhibits at State fairs and similar agricultural activities.

	Appropriated, 1955	Budget Estimate, 1956
Appropriated funds	\$1,216,000	\$1,238,000

Transfer in Estimates, 1956

The reorganization of information work of the Department included the centralization within the Office of Information of all news or general illustration types of photographic services. Personnel and funds incident to these services were transferred during the current fiscal year to the Office of Information from five applicable agencies of the Department. The Budget reflects a transfer of 20,000 in the 1956 estimates to the item "Salaries and expenses, Office of Information, Agriculture" from the following appropriations for this work:

"Salaries and Expenses, Agricultural Research Service".....	\$3,500
"Salaries and Expenses, Federal Extension Service".....	5,000
"Salaries and Expenses, Forest Service".....	3,700
"Conservation Operations, Soil Conservation Service".....	3,800
"Marketing Research and Service, Agricultural Marketing Service".....	<u>4,000</u>
Total	<u><u>20,000</u></u>

Salaries and Expenses

Appropriation Act, 1955	\$1,196,000
Activities transferred in 1956 Estimates from other appropriations for transfer of news-type photographic services (shown in detail in project statement below)	+20,000
Transfer in 1955 from "Administrative expenses, Commodity Credit Corporation"	+16,014
Base for 1956	<u>1,232,014</u>
Budget Estimate, 1956:	
Direct appropriation	\$1,238,000
Transfer from "Administrative expenses, Commodity Credit Corporation"	<u>16,014</u>
Increase	<u>1,254,014</u> <u>+22,000</u>

SUMMARY OF INCREASES, 1956

To enable the Office to handle more expeditiously the volume of direct requests for agricultural information and publications	+8,500
To provide funds for printing the Department's List of Publications and Farmers' Bulletin Lists	+13,500

PROJECT STATEMENT

Project	1954	1955 (estimated)	Increase or: Decrease	1956 (estimated)
1. Publications review and distribution	644,714	612,289	+22,000(1)	634,289
2. Review and distribution: of current agricultural information	391,486	369,980	- -	369,980
3. Review, preparation, and distribution of agri- cultural information by radio, television, ex- hibits, and motion pictures	236,337	249,745	- -	249,745
Unobligated balance	14,356	- -	- -	- -
Total available or estimate:	<u>1,286,893</u>	<u>1,232,014</u>	<u>+22,000</u>	<u>1,254,014</u>
Transfer from:				
"Administrative expenses; Commodity Credit Corporation"	-16,014	-16,014	- -	-16,014
Subtotal	<u>1,270,879</u>	<u>1,216,000</u>	<u>+22,000</u>	<u>1,238,000</u>
Transfers pursuant to P. L. 286 from:				
"Salaries and expenses; Office of the Solicitor, Agricul- ture"	-50,000	- -		
"Salaries and expenses; Rural Electrification Administration"	-9,500	- -		

(Continued on next page)

Project	1954	1955 :(estimated):
"Removal of surplus agricultural commodities"	-3,500:	- -
Transfers in 1955 esti- mates from:		
"Agricultural Market- ing Act, Agricul- ture"	-27,859:	- -
Transfers in 1956 esti- mates from:		
"Salaries and expenses, Agricultural Re- search Service"	-3,430:	-3,500:
"Salaries and expenses, Federal Extension Service"	-4,975:	-5,000:
"Salaries and expenses, Forest Service"	-3,655:	-3,700:
"Conservation opera- tions, Soil Con- servation Service" ..	-3,800:	-3,800:
"Marketing research and service, Agri- cultural Marketing Service"	-4,160:	-4,000:
Total appropriation or estimate	1,160,000:	1,196,000:

INCREASES

The net increase of \$22,000 in this item for 1956 consists of the following:

(1) A net increase of \$22,000 under the Project, "Publications review and distribution," consisting of:

(a) Increase of \$8,500 to improve service to the public and Members of Congress in answering direct requests for information and publications.

The 1954 Budget proposed a reduction in bulletin quotas to each Member of Congress which would have saved printing costs and the personnel cost of at least two positions. Congressional action on this proposal restored the printing funds in order that the quotas could remain the same. However, funds for related personal services were not restored. The reduction in personal services in 1954 resulted in periods of delay in handling requests for information and publications from Members of Congress and the public ranging as high as twenty-four days for more than a six months' period. The backlog of requests during these periods of delay reached peaks of more than 30,000 requests and resulted in numerous criticisms of the Department. The added assistance requested will make it possible to appreciably reduce the peak periods of delay, particularly during the seasonal demand for agricultural information and publications.

(b) Increase of \$11,000 to provide funds for printing the Department's List of Publications. The List of Publications is a basic working tool in the Department's operations as it constitutes the only complete listing of all Department publications which is available for distribution by the Department for the use of State extension workers, vocational agricultural teachers, libraries, Department personnel and cooperators, agricultural industries, etc. This amount was eliminated in the 1955 Budget and appropriation because a new edition was printed late in fiscal year 1954 thus providing enough copies to last until fiscal year 1956. A new and completely revised edition will be urgently needed in 1956 when present stocks will be exhausted and the publications will be out-of-date.

(c) Increase of \$2,500 to provide funds for printing additional copies of Farmers' Bulletin Lists for use of Members of Congress. A decrease of this amount was made in 1955 due to anticipated demand for fewer copies by Members of Congress for distribution to their constituents. The demand for these lists, which identifies all Farmers' Bulletins available for distribution by Members of Congress, is expected to be as high in 1956 as it was in 1952 and 1954. Distribution records indicate that the demand for these lists is approximately 60 percent greater in even years than odd. Distribution of the lists in 1953 was 6,320,575 and in 1954 was 10,431,075. It is anticipated that the same ratio will be maintained in 1955 and 1956.

SUPPLEMENTARY PROJECT STATEMENT

(The following schedule reflects a more detailed analysis of the obligations shown in the regular project statement.)

Project	1954	1955 (estimated)	Increase or Decrease	1956 (estimated)
<u>Publications review and distribution</u>				
Publications management	\$66,286:	\$73,203:	\$- -	\$73,203
Printing procurement	39,161:	39,016:	- -	39,016
Inquiries and distribution ..	275,518:	238,637:	+8,500:	247,187
Printing, including farmers' reprints, bulletins and lists	263,749:	261,383:	+13,500:	274,883
Total	644,714:	612,289:	+22,000:	634,289
<u>Review and distribution of current agricultural information:</u>				
Press Service	113,397:	97,461:	- -	97,461
Preparation of reports	65,089:	59,519:	- -	59,519
Printing Agriculture Year-book	213,000:	213,000:	- -	213,000
Total	391,486:	369,980:	- -	369,980
<u>Review, preparation, and distribution of agricultural information by radio, television, exhibits, and motion pictures:</u>				
Radio Service	39,074:	41,548:	- -	41,548
Television Service	54,394:	53,713:	- -	53,713
Exhibits Service	67,411:	65,022:	- -	65,022
Motion Picture Service	75,458:	74,959:	- -	74,959
Photographic distribution	- -	14,503:	- -	14,503
Total	236,337:	249,745:	- -	249,745
Unobligated balance	14,356:	- -	- -	- -
Total available or estimate ..	1,286,893:	1,232,014:	+22,000:	1,254,014

STATUS OF PROGRAM

Current Activities: The primary functions of the Office of Information are

(1) overall coordination of all information work in the Department, (2) final review of all information materials released to the public, and (3) coordination of agricultural information activities with those of other Federal and State agencies. The Office provides a service to the Department and its constituent agencies designed to assist farmers, organizations and institutions interested in agriculture, and the public at large to obtain useful knowledge pertaining to the nation's agriculture by providing factual information on results of agricultural research work, trends in agricultural programs and policies, and similar information. This work involves:

1. Final review of all manuscripts for publication, both printed and processed, and procurement of necessary printing;
2. Distribution of publications through established channels and the filling of requests for publications and general information;
3. Preparation and shipping of exhibits for showing at fairs and other exhibitions;
4. Production of agricultural films and their distribution to State depositories for use by Department field workers and extension agents;
5. Final clearance and distribution of reports and releases to the general press, and to the agricultural, scientific, and trade press;
6. Production, processing, and maintenance of files of news and general illustration-type and portrait photographs for all Department agencies;
7. Preparation of radio information for broadcast and service to radio farm program directors and extension agents;
8. Preparation of television programs reporting on research and action based on Department work for broadcast on TV farm programs;
9. Compilation and editing of the Agriculture Yearbook and the annual report of the Secretary;
10. Preparation or assistance in the preparation of information requested by publishers of national magazines, encyclopedias, annuals, etc., on departmental programs, organization, or operation; and
11. Production of all art and graphics materials for all agencies of the Department.

The workload of the Office is dependent upon the total of informational services which are provided in response to direct requests for information, and which are necessary to meet the legislative requirements for carrying out the Department's responsibilities.

Significant Trends:

Reorganization. By Memorandum No. 1348, dated March 26, 1954, the Secretary directed the reorganization of the information work of the Department in order to make such work more helpful to farmers and the agricultural industries; to centralize certain functions (art and graphic work and news-type photography) in the interest of greater efficiency and economy; to relate Department information work more closely to that of the Land Grant Colleges through the Federal Extension Service, and to strengthen and reaffirm the responsibilities of the Office of Information. The Secretary also directed that the Office of Information be reorganized into three (formerly six) functional areas, namely, Publications, Current Information, and Visual.

Memorandum No. 1348 likewise established the Publications Review Committee (later subcommittees were established in certain specific fields) to review all the publications of the Department (both printed and otherwise processed) being issued or stocked and to recommend areas for reducing the number and size of publications. These committees will give special attention to the problem of coordinating Department publications with the needs and publications programs of the Land Grant Colleges and with those of private industry in agriculture and related fields. The Office of Information performs the staff work for the Review Committee.

Memorandum No. 1357, dated May 12, 1954, established a Motion Picture Review Committee to advise on procedures to be followed for the Department to join with reputable nonprofit associations and educational organizations to produce motion pictures that will be useful in the Department's program for disseminating information on subjects related to agriculture. This committee will review and approve proposals for cooperative film production and shall review the finished productions and proposed distribution. The Chief of the Motion Picture Service of the Office of Information serves as secretary and consultant to this committee.

Publications. Pending determinations of the Publications Review Committee, the Office of Information is continuing its leadership in a program of revising and bringing up to date the popular bulletins in cooperation with agencies of the Department. Initially, when this program was started in the fiscal year 1953 there were about 300 bulletins in need of revision. During 1954, 61 such revisions were completed so that by June 30, 1954, over 100 of this 300 had been revised. Considerable progress has been made in improving subject matter presentation and appearance of these bulletins, as well as in reducing their length. For instance, a survey of revised bulletins in printed form during the past several months shows that they average 11 percent shorter than the previous editions. This is being accomplished without excluding any essential information.

Under Memorandum No. 1348 the Office of Information has been given the added responsibility for policy clearance and control of all publications processed by other means than printing. Agencies are required to submit with such manuscripts prior to reproduction a justification of necessity for issuance. This should prove effective in establishing economies, as well as a more efficient and planned dissemination of information.

To promote improvement of Department popular publications and provide training for publications editors and designers, the Office of Information, in cooperation with the National Project in Agricultural Communications, conducted a publications clinic in October 1954, to help editors learn more about design as an aid to greater economy in the Department's printed periodicals and popular publications.

In line with the Secretary's reorganization plan, an important step has been taken by the Office of Information toward the goal of coordinating the Department's publication program with those of the Land Grant Colleges by forwarding to the Colleges an advance listing of all manuscripts received for printing. This will facilitate coordination with the programs of the Colleges and minimize duplicate publications on the same subject.

Popular publications are reprinted to maintain stocks to meet needs as they develop during the year, and this practice resulted in the reprinting of 367 publications (mostly popular) as compared to the 317 reprinted in fiscal 1953. Increased attention is being given to Office of Information clearance of publications and to printing where more economical on larger presses rather than on office-type presses, with the result that types of material previously considered job printing or previously done by multilith or mimeograph and cleared by the agencies was given Office of Information clearance and handling -- this accounts for the total of 277 shown for new publications.

	<u>1953</u>	<u>1954</u>
New Publications.....	269	277 <u>1/</u>
Reprints	317	367
Revisions	61	84
(Revisions of Popular Publications).....	(51)	(61)

1/ Does not include 98 processed publications cleared by this office beginning April 1954.

Requests for copies of publications, general information, and mailing list service in 1954 increased by 126,000, or about 12 percent, over the average for the past 5 years and the increase in Congressional requests was over 42 percent higher than the average for the past 5 years, as shown in the following table:

<u>Fiscal Year</u>	<u>Congressional Requests</u>	<u>Total Requests</u>
1949	328,101	1,047,513
1950	485,380	1,199,771
1951	241,191	853,933
1952	376,957	1,021,214
1953	350,130	949,626
1954	506,918	1,140,229
1955 (est.)	405,000	950,000
1956 (est.)	500,000	1,125,000

These figures do not include the large number of inquiries for press, radio, exhibit, and motion picture information which are handled directly in the respective divisions.

A comparison of the number of copies of publications handled on order or request to the Office during 1953 and 1954 is as follows:

<u>Copies of All Publications</u>				
	<u>1953</u>	<u>1954</u>	<u>1955</u> <u>(estimated)</u>	<u>1956</u> <u>(estimated)</u>
Total stocks beginning of year.....	13,271,614	11,444,756	11,219,042	11,400,000
New publications.....	22,017,400	20,883,445	20,827,138	21,165,261
Reprints.....	7,792,669	9,375,292	11,452,309	14,000,000
Total available for distribution.....	43,081,683	41,703,493	43,498,489	46,565,261
Stocks at end of year..	11,444,756	11,219,042	11,400,000	11,500,000
Total distribution..	31,636,927	30,484,451	32,098,489	35,065,261

<u>Copies of Farmers Bulletins</u>				
	<u>1953</u>	<u>1954</u>	<u>1955</u> <u>(estimated)</u>	<u>1956</u> <u>(estimated)</u>
Total stocks beginning of year.....	9,336,533	8,050,463	7,454,217	7,000,000
New publications.....	2,460,000	2,090,000	2,500,000	2,800,000
Reprints.....	5,769,775	7,585,836	5,000,000	6,500,000
Total available for distribution.....	17,566,308	17,726,299	14,954,217	16,300,000
Stocks at end of year..	8,050,463	7,454,217	7,000,000	7,200,000
Total distribution	9,515,845	10,272,082	7,954,217	9,100,000

Printing Management. Recorded savings totaled \$21,111 in the fiscal year 1954 as a result of technical adjustments in specifications for printing jobs, in addition to savings not recorded but resulting from suggestions made to agencies. All printing in 1954 totaled 3,742 jobs compared with 3,454 in 1953, a workload increase of almost 8 percent.

Mailing list items handled through the central mailing list index in 1954 and estimated for 1955 and 1956 compared with 1953 are shown below:

	F.Y. 1953 Number	F.Y. 1954 Number	F.Y. 1955 Number	F.Y. 1956 Number
Names included in index				
June 30.....	391,834	360,174	351,500	376,500
Mailing lists in index.....	1,253	1,158	1,200	1,200
Mailing lists revised.....	192	232	150	200
<u>Workload items:</u>				
Additions to lists.....	74,612	65,706	61,200	66,000
Names or addresses changed	28,525	28,758	27,100	26,700
Addresses dropped.....	67,328	97,366	69,900	69,500
Total workload items....	170,465	191,831	158,200	162,200

Exhibits Service. In the interest of economy and efficiency, the exhibit work of the Department emphasizes (1) the production of lighter weight exhibits, and (2) the showing of Department exhibits through the cooperation of State and County Extension Services of the Land Grant Colleges. Commitments made up to August 1 for loan of exhibits through Extension Service channels indicates substantial expansion in fiscal year 1955 compared to 1954 in State use of Department exhibits.

In the fiscal year 1954, 140 showings were made of Department educational exhibits at a wide variety of occasions ranging from fairs, where the general public was reached, to conventions and meetings, of specialists in many fields, of interest to the Department. Of this total, 66 showings were made by or through State Extension representatives; 69 showings were made directly by the Department and 5 by associations. These figures do not include showings made within the Department. Showings in the Patio of the Department's Administration Building included 5 major exhibitions, each patio-wide in size, and 4 lesser exhibitions. Four States, South Dakota, Maryland, Virginia, and Georgia, participated in Patio exhibitions, and this type of cooperation will be encouraged. Patio exhibitions stimulated calls for USDA exhibits for showing in the field and provided educational material for radio and television programs.

Press Service. The Press Service, in fiscal year 1954, issued more press releases and reports, and had more requests for information than in any previous year of record. Press releases and reports totaled 3,330, compared with 2,958 the previous year. Among the reasons for increased requests for information, as well as for volume of releases to the press, were national and international interest in matters, such as agricultural surpluses, serious drought in the forepart of the year, and agricultural legislation pending in Congress in the latter part of the year.

Requests for information, from the press and from others, come by mail, by telephone and in person. Many of these requests can be handled by press releases and reports already available. But many require individual handling. Each such case requires review for content and policy, editing, and an occasional rewriting of a previous release. Releases and reports, while they give information, often bring requests for additional information.

The Press Service fills many of its requests for general information with its Daily Summary, with a distribution of 2,850 and its Weekly Summary, distribution 1,200. The letter to about 250 farm paper editors continued on a weekly basis.

Distribution of the weekly "Food and Home Notes" to women's editors of the press and women's radio program directors has been considerably reduced by a mailing list revision and now amounts to 2,041 copies, of which about 400 go to newspaper and magazine editors and 550 to radio and television directors. The Extension Service also distributes copies to State extension editors, home demonstration leaders and specialists. However, increasing requests for the service have been coming from industry publications, especially from food industries.

The 1953 Department Yearbook, "Plant Diseases," was well received as a reservoir of information about this subject. Sales of this book compare favorably with those of other recent yearbooks. During the past fiscal year, most of the work was completed on the 1954 Yearbook, "Marketing," which was published in September 1954. Work has begun on the 1955 Yearbook which will cover all phases of the use and conservation of water in farming.

Information work on special programs affecting more than one Department agency was coordinated to give more efficient support through "campaign-type" programs. Two outstanding examples of this approach were (1) to encourage more grain storage facilities on the farm, and (2) to increase consumption of dairy products. In such efforts, the Office of Information took the lead in coordinating the preparation and dissemination of informational and educational materials.

Radio and Television Service. Network activities. The Department continued its official cooperation in the production of the Farm and Home Hour (NBC) and the American Farmer (ABC). The office prepared and broadcast weekly agricultural news segments on both of these programs, in addition to preparing and presenting 67 special USDA features on these two programs. In addition, in April 1954 the office began, on the American Farmer, a special series of weekly features prepared by the different State Land Grant Colleges to tell the story of agricultural developments in different parts of the country. In addition to the formal cooperation with the Farm and Home Hour and the American Farmer, the office activities included about 25 radio features on other network and syndicated shows.

Individual station services included the weekly Radio Farm Director Letter. Such services provide news and background material to 411 farm program directors and 48 farm advertising people. Major departmental news releases and publications were also sent to these groups.

Recording services to individual stations were expanded. During the year, nine special tape recordings were prepared, duplicated, and sent to farm broadcasters. In addition, the office produced 29 individual transcriptions for individual stations, by special request, and eight recordings to be included in recording services provided to farm broadcasters by the National Safety Council and the Chicago Board of Trade.

A new weekly program series was begun in August 1953 in cooperation with the Clear Channel Broadcasting Service. It is a 15-minute recorded program covering high-level farm policy subjects and featuring top officials of the Department. It goes to 18 high-power stations in all parts of the country.

Television Services. At the beginning of the 1954 fiscal year, the Department inaugurated a weekly package service, at the request of television farm broadcasters. During the year, the list of stations receiving the service grew from 35 to 110, entirely on a request basis. Each package covers research and action based on Department work, and consists of visuals and suggested script for a 2- to 7-minute segment of a farm television program.

Other activities included an experimental TV package series with consumer-type information for a more general audience, and an experimental stock footage reel on animal diseases. The office also assisted with the production of a number of live network television shows during the year.

Motion Picture Service. During the 1954 fiscal year the Motion Picture Service produced a total of 101 films and TV shorts, all on a reimbursable basis. Of this total, 36 films comprising 79 reels were regular productions, 24 were TV package films, and 41 were 20-second, 1-minute, and 2-minute TV shorts. Outstanding motion pictures produced for Department agencies were:

GRASS--THE BIG STORY produced in cooperation with the Land Grant Colleges to dramatize the important role grass plays in modern agriculture.

VESICULAR EXANTHEMA, produced for the Agricultural Research Service of USDA, shows the danger of vesicular exanthema to the United States and in detail depicts the method used to eradicate this disease.

GYPSY MOTH dramatizes the fight of USDA and the afflicted states to destroy this destructive pest and shows equipment and methods used to control its spread.

VICIOUS CIRCLE covers the problem of eradicating avian tuberculosis from poultry and hogs, and shows how this disease can be controlled.

RAINBOW VALLEY depicts the life and duties of a typical Forest Ranger.

LONGER LIFE FOR WOOD shows how the average home-owner can, by the use of modern preservatives, make wooden structures more resistant to rot and decay.

During fiscal year 1954, the Motion Picture Service produced a total of 17 films and 38 television shorts for agencies of the Department. Twenty-four of these TV shorts were TV package films, four- to seven-minutes running time, produced for the Radio and Television Service, and sent to television stations having regularly scheduled farm programs.

Eight TV shorts were produced for the Forest Service; four of these were designed primarily for release in the Forest Fire Prevention Campaign and four were made in conjunction with the Boy Scouts of America Conservation -- Good Turn Program.

The Second Annual Film Workshop, sponsored jointly by the Office of Information and the Federal Extension Service and designed to improve agricultural film production in the states, was conducted by the Motion Picture Service January 25 through 28. More than 100 persons attended the workshop sessions, which featured presentations, group discussions, and film screenings on the subject of producing films for television and using motion picture footage on TV programs. Agricultural colleges of 15 states and Canada were represented.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: : Obligations: : 1954	: Estimated : : obligations: : 1955	: Estimated : : obligations: : 1956
Allotment from:	:	:	:
<u>Foreign Operations Administration:</u>	:	:	:
Training services and technical consultation	: \$3,380:	: \$6,800:	: - -
Trust Funds:	:	:	:
<u>Miscellaneous Contributed Funds,</u>	:	:	:
<u>Department of Agriculture:</u>	:	:	:
Funds deposited by cooperators for preparation and distribution of exhibits and motion pictures	: 14,023:	: 10,000:	: \$7,500
<u>Obligations under Reimbursements From</u>	:	:	:
<u>Governmental and Other Sources:</u>	:	:	:
Salaries and expenses:	:	:	:
For photographic reproductions and motion picture services	: 32,698:	: - -:	: - -
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND	:	:	:
OTHER FUNDS	: 50,101:	: 16,800:	: 7,500

Journal of Management Studies, 19(1), 67-80.

$\frac{d}{dt} \left(\frac{1}{\rho} \right) = - \frac{1}{\rho^2} \frac{d\rho}{dt}$

(continued)

[illegible]

...and the fact that the system is not yet fully operational, the Commission has decided to postpone the final decision on the system until the end of 1991.

7. 2010年12月10日，甲企业向乙企业销售一批商品，开出的增值税专用发票上注明的销售价格为10000元，增值税税额为1700元，款项尚未收到。该批商品的成本为6000元。甲企业销售该批商品时，应作的会计分录为：

LIBRARY

Purpose Statement

Function: The Library, pursuant to the Department's Organic Act of 1862, and under delegation from the Secretary, "procures and preserves all information concerning agriculture which can be obtained by means of books...". Under the Act establishing the Department, the Library also serves as the National Agricultural Library.

Activities: The Library makes available to the research workers of the Department and the State agricultural colleges, as well as to the general public, the agricultural knowledge of the world that is contained in published literature. This reduces duplication of effort and wasted time by enabling scientists and administrators to know what has been done previously in that field. In pursuance of the Organic Act, the Library collects current and historical published material and organizes it for maximum service to the Department and to the public through reference services, loans of publications, bibliographical services, and photo-reproductions of library material. It issues a monthly Bibliography of Agriculture in which is listed the agricultural literature of the world. The book collection approximates 1,000,000 volumes.

Organization: The Library serves as a staff office of the Secretary and in addition has operating responsibilities in the field of library and bibliographical services. There are five specialized field branches serving major field research installations and one general branch serving the Beltsville Research Center. In addition five State agencies provide library services to Department employees in designated geographical areas under cooperative agreements.

On November 30, 1954, the Library had 149 employees of whom 133 were in Washington and 16 in the field.

	Appropriated, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated funds	\$659,950	\$659,950

Salaries and Expenses

Appropriation Act, 1955, and base for 1956	\$659,950
Budget Estimate, 1956	<u>659,950</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	1956 (estimated)
1. General agricultural library services	\$538,179	\$517,000	\$517,000
2. Specialized services to research ...	143,404	142,950	142,950
Unobligated balance	217	- -	- -
Total available or estimate	<u>681,800</u>	<u>659,950</u>	<u>659,950</u>
Transferred from "Removal of surplus agricultural commodities"	-8,000	- -	-
Total appropriation or estimate	<u>673,800</u>	<u>659,950</u>	

STATUS OF PROGRAM

Current Activities: The following are typical of the major lines of work of the Library:

1. Acquisition of domestic and foreign publications in the field of agriculture through purchases from commercial sources, gifts, exchange agreements with different countries, and cooperative acquisition projects with the Library of Congress and with other research libraries.
2. Preparation of bibliographies of the world's agricultural literature.
3. Providing reference service to patrons who come into the Library, and by telephone, and by mail. These patrons include Department personnel, and representatives of other Government and private research agencies, colleges, universities, and farmers and other private citizens; furnishing publications on loan directly to Department personnel and to others through interlibrary-loans; and maintaining the collection.
4. Facilitating the Department's programs by making available published materials to the man-on-the-job, wherever he may be stationed, through field branches and cooperating State agencies which serve as outlets for the main Library and as reservoirs of published information near the field workers. These library services provided the field staff reduce the need to stock large numbers of relatively little used books in field offices.

Selected Examples of Recent Progress:

1. Status of Acquisition Program. The Department of Agriculture Library is the one place in the nation where all of the more important agricultural publications are available. A continuing intensive acquisition program must be carried on to provide the major agricultural publications required by the Department's workers, collaborators, farmers, industrial users, and the public generally. The collection still lacks a large amount of essential agricultural information published in foreign areas, as well as many important domestic publications. The gift and exchange program remained at the same level as in 1953, and accounted for about 70 percent of total acquisitions.

Below is a tabulation of major acquisition statistics for the past five years.

Year	Obligations for publications	Number of publications received from all sources (gifts, exchanges and purchases) for publications	volumes added to collection	Number of periodical issues	
				Received	Retained
1950	\$ 45,742	42,215		552,137	275,215
1951	53,312	28,921 a/		498,013	268,655
1952	44,747	28,646		542,240	272,770
1953	44,468	37,020 b/		611,279 c/	284,743 b/
1954	47,839	45,461		594,646	274,695

- a/ Beginning with the fiscal year 1951 working tools of the Department agencies were no longer counted in the Library accessions.
- b/ The cataloging in 1953 of volumes and publications received in previous years makes receipts appear higher in 1953 than actually is the case.
- c/ The increase in number of periodical issues received is attributed largely to materials received from various mid-west colleges which were mostly duplicates of serials already in the Library collection.
2. The Monthly Bibliography of Agriculture contained 4.5% fewer items than in 1953. There were 95,670 reference items included during the year. The number of agricultural items listed in the Bibliography of Agriculture for the past five years are indicated below:

Year	Number of Reference Items
1950	89,060
1951	85,790
1952	95,962
1953	99,993
1954	95,670

3. There were 29 bibliographies, indexes, and lists prepared on specialized subjects. Among the special bibliographies prepared were Bibliographical Bulletin No. 24, "Rural Electrification in the United States"; Bibliographical Bulletin No. 12, Supplement 1, "Lists of Serials Currently Received in the Library of the U. S. Department of Agriculture"; and Library List No. 1 Revised, "Selected List of American Agricultural Books and Periodicals".
4. A waiver was again issued by the Public Printer permitting the binding work to be performed under contract to commercial binders. Under this authorization a total of 9,264 volumes were bound, of which 1,045 volumes were from the various field libraries. There were 3,196 more volumes bound in 1954 than in 1953. There is an estimated backlog of 165,000 volumes which should be bound.
5. The Photocopying Section completed 49,432 separate orders consisting of 707,766 pages of microfilm and photoprint. Of this amount 10,993 orders totaling 159,278 pages were provided free of charge to the Department's agencies. For the remaining orders \$41,433 was

received in reimbursement of the cost of operations.

6. The total number of publications loaned and the number of reference questions answered were below the 1953 level. The decrease of 4.7% in the number of publications loaned is partially attributed to the change in field services by the closing of six field branches and the transfer of the major portion of their collections to various cooperating State agencies. The reference questions answered decreased 4.5% from the 1953 level.

Below is a tabulation of the volume of publications circulated, loaned and photocopying services rendered and reference questions answered in 1953 and 1954.

	1953	1954	Percent of increase (+) or decrease (-)
Volume of circulations, loans and photocopying:			
Washington.....	449,327	435,363	- 3.1
Field.....	829,739	775,699	- 6.5
Sub-total.....	1,279,066	1,211,062	- 5.3
Reproductions.....	43,168	49,432	+14.5
Totals.....	1,322,234	1,260,494	- 4.7
Reference questions answered:			
Washington.....	125,398	122,371	- 2.4
Field.....	43,957	39,306	-10.6
Totals.....	169,355	161,677	- 4.5

7. The cooperative agreements with the various State agencies to provide general library services to the Department as previously rendered by six branch libraries has shown a savings of \$21,650. While there was a decrease in the services furnished, there was a simultaneous decrease in services from Washington, and the decrease in field branch service was not as great as had been anticipated. Both the State agencies and the Department benefited under these agreements in that a larger collection is available for use.

PRINCIPAL OVERALL VOLUME OF WORK STATISTICS

Actual Fiscal Years 1950-1954

Estimated 1955-1956

	ACTUAL					ESTIMATED	
	1950	1951	1952	1953	1954	1955	1956
Titles catalogued.....	12,252	11,191	12,701	16,809	16,295	15,000	15,000
New cards added to library catalog..	90,823	66,117	77,556	87,407	85,413	80,000	80,000
Serial publications entered.....	275,215	268,655	272,770	284,743	274,695	270,000	270,000
Loans of books or periodicals and reproductions supplied.....	1,466,546	1,441,552	1,370,646	1,322,234	1,260,494	1,260,000	1,260,000
Reference questions answered.....	203,134	180,434	170,842	169,355	161,677	162,000	162,000
Items indexed in Bibliography of Agriculture.....	89,060	85,790	95,962	99,993	95,670	96,000	96,000
Volumes bound.....	8,179	10,724	9,508	6,068	9,264	6,000	6,000
Obligations for books, periodicals, newspapers, and other publications:	\$ 45,742	\$ 53,342	\$ 44,747	\$ 44,468	\$ 47,839	\$ 45,000	\$ 45,000

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1954, were actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: : Obligations, : 1954	: Estimated : Obligations, : 1955	: Estimated : Obligations, : 1956
Allocations and Working Funds (Advances: from other agencies):	:	:	:
Agricultural Research Service - For special bibliographical services on bee culture	: : : \$3,202:	: : : \$3,283:	: : : - -
Foreign Operations Administration - For expenses in connection with training activities and technical assistance	: : : 10,000:	: : : 10,000:	: : : - -
For a publications exchange center to facilitate the exchange of Land-Grant college publications with foreign depositories	: : : 17,119:	: : : 22,000:	: : : - -
Total, Foreign Operations Administration	: : 27,119:	: : 32,000:	: : - -
Total, Allocations and Working Funds	: 30,321:	: 35,283:	: - -
Obligations Under Reimbursements from Governmental and Other Sources:	: :	: :	: :
Salaries and Expenses:	: :	: :	: :
For bibliographies, photographic reproductions and other special library services	: : 95,000:	: : 98,000:	: : \$48,000
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	: 125,321:	: 133,283:	: 48,000

COMMODITY STABILIZATION SERVICE

COMMODITY CREDIT CORPORATION

Purpose Statement

Purpose - The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, food, feeds, and fibers, for the purpose of stabilizing, supporting, and protecting farm income and prices; assisting in the maintenance of balanced and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

Origin - The Commodity Credit Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States. From October 17, 1933 to July 1, 1939 the Corporation was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939 it was transferred to the Department of Agriculture by the President's Reorganization Plan I. Under the Commodity Credit Corporation Charter Act of June 29, 1948 (Public Law 806, 80th Congress), effective July 1, 1948, it was established as an agency and instrumentality of the United States under a permanent Federal charter. The charter was amended by Public Law 85, 81st Congress, approved June 7, 1949.

Management - The Corporation is managed by a board of directors, subject to the general supervision and direction of the Secretary of Agriculture, who is, ex officio, a director and chairman of the board. Besides the Secretary, the board consists of six members appointed by the President and confirmed by the Senate. In addition, the Corporation has a bipartisan advisory board of five members appointed by the President to survey the general policies of the Corporation and advise the Secretary with respect thereto.

The Corporation may, with the consent of the agency concerned, utilize facilities of any other agency of the Federal Government. The Corporation, under this authority, makes extensive use of the personnel and facilities of the Commodity Stabilization Service in carrying out Corporation activities. The Corporation also utilizes to the fullest extent practicable the usual and customary channels, facilities, and arrangements of trade and commerce in the conduct of its business. In its lending activities the Corporation uses local banks, cooperatives, and other private lending agencies. Commercial storage facilities are used to a great extent in the storage of loan collateral and in the storage of stocks acquired by the Corporation.

Financing - The Corporation has an authorized capital stock of \$100,000,000, held by the United States, and authority to borrow up to \$10,000,000,000. The Corporation's operations are financed by capital funds and borrowings from the Treasury and from private lending agencies. In 1954 the annual interest rate paid on capital stock was $2\frac{1}{2}$ percent, and the rate on

borrowings from the Treasury ranged from $2\frac{1}{2}$ percent through September 30, 1953, progressively decreasing to 1 percent beginning June 1, 1954. Since that date the interest rate on both capital stock and borrowings from the Treasury has been computed at 1 percent in accordance with a policy of the Treasury Department that the rate shall be based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the end of the preceding month. Funds are borrowed from private lending agencies when the Corporation desires to utilize such agencies in carrying out a particular operation. All borrowing agreements with private lending agencies are approved by the Secretary of the Treasury. During the fiscal year 1954 the Corporation extended its certificate-of-interest method of financing cotton loans to other commodities, and the budget estimate anticipates that this plan will continue in effect during each of the fiscal years 1955 and 1956. Although this method of financing has no effect on obligations against the Corporation's borrowing authority, it postpones a portion of the actual cash expenditures of Federal funds until subsequent fiscal years.

Operations - Operations in the budget are conducted under five types of programs: (1) price support, (2) supply and foreign purchase, (3) storage facilities, (4) commodity export, and (5) special activities.

1. Price support program -- Price support operations are carried out under the Corporation's charter powers, in conformity with the Agricultural Act of 1949 (63 Stat. 1051), the National Wool Act of 1954, and with respect to certain types of tobacco, in conformity with the Act of July 28, 1945 (59 Stat. 506). Under the Agricultural Act of 1949, price support is mandatory for six basic commodities--corn, cotton, wheat, rice, peanuts, and tobacco--and specific nonbasic commodities, namely tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Price support for wool and mohair is mandatory under the National Wool Act of 1954. Price support for other nonbasic agricultural commodities is discretionary.

Price support is made available through loans, purchase agreements, purchases, and, in the case of wool and mohair, through incentive payments based on marketings. The producer's commodities serve as collateral for price-support loans. If the producer does not repay his loan, he is not held liable for any deficiency arising from the sale of the collateral unless the loan was obtained through fraudulent representations, or there has been deterioration or shortage in farm-stored collateral. Purchase agreements generally are available during the same period that loans are available. By signing a purchase agreement a producer receives an option to sell to the Corporation any quantity of the commodity which he may elect within the maximum specified in the agreement. When it is not feasible to support prices through loans or purchase agreements, the Corporation purchases commodities during the regular marketing season, either from producers directly or through usual trade channels, or, as indicated above, the Corporation may make payments upon wool and mohair marketed by producers thereof.

Disposition of commodities acquired by the Corporation in its price support operations is made in compliance with sections 202, 407, and 416 of the Agricultural Act of 1949, and other applicable legislation, particularly the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 454), and title I of the Agricultural Act of 1954 (68 Stat. 397).

In order to expand the domestic market for fluid milk, as one means of reducing the volume of dairy products being acquired by the Corporation, a special milk program was authorized by section 201 of the Agricultural Act of 1949. This authorization provided that beginning September 1, 1954, and ending June 30, 1956, not to exceed \$50,000,000 annually of funds of the Commodity Credit Corporation shall be used to increase the consumption of fluid milk by children in nonprofit schools of high-school grade and under.

As a further means of increasing the utilization of dairy products, under section 202 of the Agricultural Act of 1949, the Corporation is donating butter, cheese, and dried milk to Veterans' Administration and the armed services upon certification by them that the usual quantities of dairy products have been purchased in the normal channels of trade. In addition, the Corporation is reimbursing these agencies at the rate of \$4.15 per cwt. for purchases of fluid milk made in addition to their usual purchases. The unit rate of reimbursement approximates one-half of the cost of the milk to these agencies. The portion of the cost paid by Commodity Credit Corporation represents the equivalent to the cost of buying, handling, and storing the butter and nonfat dry milk produced from a hundred-weight of milk.

Section 407 of the Agricultural Act of 1949 authorized the Corporation to make available farm products for use in distress areas and in connection with any major disaster determined by the President to warrant assistance under Public Law 875. Under this authority the 1954 Emergency Feed Program was initiated on August 2, 1954.

2. Supply and foreign purchase program -- This program is carried out under the authority contained in the Corporation's charter, particularly sections 5 (b) and (c) thereof. The Corporation procures foods, agricultural commodities, their products, and related materials to supply the requirements of Government agencies, foreign governments, and relief and rehabilitation agencies and to meet domestic requirements. Foods, agricultural commodities, and their products are procured or aid is given in their procurement to facilitate distribution or to meet anticipated requirements during periods of short supply.

Operations are conducted in accordance with procedures and policies reasonably calculated to assure compliance with section 4 of the act of July 16, 1943 (15 U. S. C. 713a-9), which requires that the Corporation be fully reimbursed for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of any other Government agency from the appropriate funds of such agency.

3. Storage facilities program -- This program is carried out under the authority contained in the Corporation's charter, particularly sections 4 (h), 4 (m), and 5 (a). The Corporation (a) purchases and maintains

granaries and equipment for care and storage of grain owned or controlled by the Corporation; (b) makes loans for the construction or expansion of farm storage facilities; (c) provides storage-use guaranties to encourage the construction of commercial storage facilities; and (d) undertakes other operations necessary to provide storage adequate to carry out the Corporation's programs.

4. Commodity export program -- This program is carried out under the authority contained in the Corporation's charter, particularly sections 5 (d) and 5 (f), sections 407 and 416 of the Agricultural Act of 1949, the International Wheat Agreement Act of 1949, the Agricultural Trade Development and Assistance Act of 1954, and Title I of the Agricultural Act of 1954. The Corporation stimulates the export of agricultural commodities and products through sales, barters, payments and other means.

The International Wheat Agreement Act of 1949 authorizes the President, acting through the Corporation, to make available such quantities of wheat and wheat flour to importing countries, and at such prices, as may be necessary to exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement. In turn, the Corporation is authorized to use its general borrowing authority to pay current obligations and to be repaid therefor from appropriations made specifically to cover the costs of the International Wheat Agreement.

In addition to exports under the International Wheat Agreement, a program was initiated in the fall of 1953 under which wheat was offered to the export trade for export as wheat or flour at competitive prices below domestic price but not below the applicable International Wheat Agreement price.

Title I of the Agricultural Trade Development and Assistance Act of 1954 authorizes the President, until June 30, 1957, to carry out a program for the sale of surplus agricultural commodities for foreign currencies. The act further provides various specified uses of the foreign currencies by any department or agency of the Government and requires reimbursement to Commodity Credit Corporation by the agency using such funds if appropriations have been made for any of the specified uses. To the extent the Corporation is not thus reimbursed by other agencies, the act authorizes appropriations to reimburse Commodity Credit Corporation for its investment in commodities used under the act including processing, packaging, transportation and handling costs, and for costs incurred in financing the exportation of commodities, and limits transactions requiring appropriations to \$700,000,000.

In addition to the authority contained in title I of the Agricultural Trade Development and Assistance Act of 1954 to sell agricultural commodities for foreign currency, the Corporation may also use its charter authority to effect sales for foreign currency when such sales are in the interest of the Corporation.

To the extent that operations under the commodity export program involve the disposal of price support commodities held in CCC's inventories, such disposals are for accounting purposes treated as price support program disposals.

5. Special activities -- These are miscellaneous activities carried out under authority of section 5 (g) of the Corporation's charter and various statutory authorizations. Operations under these special activities for each of the fiscal years 1954, 1955, and 1956 are summarized below:

- a. Section 391. (c) of the Agricultural Adjustment Act of 1938, as amended (7 U. S. C. 1391), requires the Corporation to lend to the Secretary of Agriculture during each fiscal year such sums, not to exceed \$50,000,000 as he estimates will be required to make advances for the purchase of conservation materials from January 1 to June 30 of each year. Repayment is usually made during the succeeding fiscal year from appropriated funds, with interest at least equal to the rate paid by the Corporation. In 1954, a total of \$30,143,881 was loaned; it is estimated that \$43,450,000 will be loaned during each of the fiscal years 1955 and 1956.
- b. Under the provisions of the annual appropriation Act for the Department of Agriculture the Secretary of Agriculture has determined that Corporation funds should be transferred for use in the eradication of foot-and-mouth disease in Mexico and related border inspection and quarantine. For the fiscal year 1954, advances and interest through June 30, 1955, amount to \$5,788,897. An estimate to reimburse the Commodity Credit Corporation for this amount is proposed for 1956 and is discussed elsewhere in these explanatory notes.
- c. Pursuant to authority contained in the item "Marketing services, Production and Marketing Administration," in the 1952 Department of Agriculture Appropriation Act (7 U. S. C. 440, 414a), the Corporation advances to the Agricultural Marketing Service non-administrative funds for grading tobacco and classing cotton without charge to producers. Costs of such grading and classing of those commodities which are not placed under price support are repaid to Commodity Credit Corporation from subsequent appropriations. No provision for reimbursing the Corporation for such costs is included in the estimates for 1956 since sufficient funds were available to the Agricultural Marketing Service during the fiscal year 1954 for this purpose. It is estimated that advances of \$1,211,000 and \$1,300,000 will be made for this purpose during each of the fiscal years 1955 and 1956, respectively.
- d. Under the provision of the Act of June 25, 1953 (67 Stat. 80), the Commodity Credit Corporation transferred to the Government of Pakistan a total of 22,859,650 bushels of wheat at a cost of \$69,273,881. The act of August 7, 1953 (67 Stat. 476), authorized the transfer of Commodity Credit Corporation stocks to friendly peoples in meeting famine or other urgent requirements. Under this act, wheat and wheat flour were transferred to Jordan, Libya, and Bolivia at a cost to the Corporation of \$9,676,628. Both of these laws authorize appropriations to reimburse Commodity Credit Corporation for its costs, and the 1956 estimates propose appropriations in these amounts for

these purposes. These estimates are discussed in detail elsewhere in these explanatory notes.

- e. The facilities and stocks of the Corporation were authorized (67 Stat. 150) to be used by the Secretary for emergency assistance in furnishing feed to farmers, ranchers, and stockmen in connection with the 1953 Emergency Feed Program in disaster areas. The 1956 budget includes an estimate of an appropriation of \$42,100,000 to reimburse the Corporation for these losses as discussed in more detail elsewhere in these explanatory notes.
- f. As a means of stabilizing the dairy industry and further suppressing and eradicating brucellosis in cattle, section 204 of the Agricultural Act of 1954 authorizes the Secretary to transfer not to exceed \$15,000,000 annually for a period of 2 years from funds available to the Commodity Credit Corporation to the Agricultural Research Service for the purpose of accelerating the brucellosis eradication program. Annual appropriations of such sums as may be necessary to reimburse the Commodity Credit Corporation for such expenditures are authorized. It is estimated that \$12,700,000 and \$15,000,000 will be required by the Agricultural Research Service in fiscal years 1955 and 1956, respectively, for which estimates will be included in the 1957 and 1958 Budgets to provide reimbursement to the Corporation.
- g. Title II of the Agricultural Trade Development and Assistance Act directs the Commodity Credit Corporation to make available to the President surplus agricultural commodities for transfer to friendly nations and friendly populations in order to meet famine or other relief requirements. In addition, the President is authorized to make transfers on a grant basis to assist friendly countries or voluntary foreign relief agencies. No programs are to be undertaken after June 30, 1957, and total expenditures, including the Corporation's investment in the commodities and costs of delivery f.o.b. vessel are not to exceed \$300,000,000. It has been estimated that transfers under this Title will approximate \$120,000,000 during 1955 and \$100,000,000 in 1956. Appropriate adjustments have been made in accounts receivable to reflect amounts to be recovered by appropriation in the 1957 and 1958 Budgets.
- h. The act of July 26, 1954 (68 Stat. 529), authorizes the Commodity Credit Corporation to transfer to the following agencies, free on board transportation conveyance at point of storage, surplus hay and pasture seeds as follows: Forest Service, 485,000 pounds; Fish and Wildlife Service, 163,000 pounds; Bureau of Land Management, 252,000 pounds. The act also authorizes appropriations to reimburse the Corporation for its investment in the seeds so transferred. Adjustments in accounts

receivable have been made to reflect recovery of these costs by appropriation in the 1957 Budget.

	Limitation, <u>1955</u>	Budget Estimate, <u>1956</u>
Administrative expense limitation	a/ \$25,290,000	\$26,000,000

a/ Includes supplemental of \$7,290,000 contained in the Urgent Deficiency Appropriation Act, 1955.

COMMODITY CREDIT CORPORATION

Basic Assumptions

The Corporation's budget estimates for 1955 and 1956 are based on the general assumptions:

- (a) That employment, production, and national income will rise moderately from the level of the second quarter of the calendar year 1954;
- (b) That prices will change little, on the average, from the present level;
- (c) That developments in international relations will not be such as to affect Government civilian programs generally;
- (d) That exports of agricultural products will be higher than at present;
- (e) That yields will be in line with recent averages, and
- (f) That acreage allotments and marketing quotas will be in effect for the 1955 crops of peanuts, certain kinds of tobacco, wheat and cotton, and acreage allotments will be in effect for the 1955 crops of corn and rice in accordance with existing legislation.

In considering these estimates, it should be recognized that it is difficult to estimate requirements for the year ending June 30, 1956. They are dependent upon weather conditions, volume of agricultural production in this country and abroad, economic conditions generally, food needs in occupied areas and other foreign countries, availability of dollar exchange, and other complex and unpredictable factors.

Price Support Operations

General Outlook - On the basis of the above assumptions and taking into consideration estimated supply and utilization factors which were calculated individually for each commodity, the estimates for the fiscal years 1955 and 1956 reflect the continuation of a heavy overall volume of price support operations. They indicate in the aggregate, however, that if dispositions materialize as currently estimated, the build-up of inventories may reach its peak during the fiscal year 1956 at which time a downward trend in investment in price support may be anticipated.

Loans - The Budget Estimates contemplate that loan activity will decrease in both fiscal years 1955 and 1956 below fiscal year 1954. The estimated decrease for 1955 below 1954 is primarily attributable to less loans on cotton, corn and wheat and reflects an estimated

decrease in production of these commodities due to acreage controls. The estimated decrease for 1956 is almost entirely due to less loans on wheat as a result of continued decreasing production and a lower support level. A comparison of the estimated loan activity for each of fiscal years 1955 and 1956 with the actual volume in 1954 is summarized as follows:

<u>Type of Activity</u>	Actual	Estimated	Estimated
	F.Y.	F.Y.	F.Y.
	1954	1955	1956
	(In	million	dollars)
Loans made	\$3,342	\$2,382	\$2,056
Repayments	657	1,212	1,199
Loans forfeited	1,483	1,846	1,545
Loans outstanding, end of year	2,337	1,661	972

Inventories - The Budget Estimates contemplate that the Corporation's inventory of price support commodities as of June 30, 1955, will increase substantially over those of June 30, 1954, and that there will be a slight decrease as of June 30, 1956, below the June 30, 1955, inventories. The major increases in inventory in the fiscal year 1955 are estimated to be due primarily to acquisitions of cotton and corn. While there is only a relatively small decrease in the total value in inventory in 1956, there are significant increases in cotton and feed grains other than corn offset by decreases in inventories of wheat, wool, dairy, and cottonseed products. A comparison of the estimated inventory activity for each of the fiscal years 1955 and 1956 with the actual volume for 1954 is summarized as follows:

<u>Type of Activity</u>	Actual	Estimated	Estimated
	F.Y.	F.Y.	F.Y.
	1954	1955	1956
	(In	million	dollars)
Acquisitions and carrying charges	\$2,724	\$3,044	\$2,390
Dispositions	1,395	2,132	2,444
Inventory at end of year	3,668	4,580	4,526

The value of the estimated inventory both as of June 30, 1955, and June 30, 1956, includes the "Commodity set-aside" as provided for in Title I of the Agricultural Act of 1954.

Investment in Price Support - As a result of the loan and inventory activity shown above, it is estimated that the investment in price support - that is, inventories and loans outstanding - as of June 30, 1955 and June 30, 1956, will be about \$6.2 billion and \$5.5 billion, respectively, compared with \$6.0 billion as of June 30, 1954.

Commodity Program Summaries - The following commodity summaries cover the various price support operations which the Corporation

anticipates will be required during each of the fiscal years 1955 and 1956 and the bases for such estimates. It should be noted that any variations from the conditions assumed may result in changes in the volume and character of the Corporation's operations, thereby necessitating changes in the program and administrative expense estimates.

PRICE SUPPORT PROGRAM, Basic Commodities

Corn

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop corn at 90 percent of parity as required by law.

Eligibility: Eligible commodity is ear or shelled corn produced in 1954 grading No. 3 or better, or No. 4 on test weight only, and meeting moisture requirements.

Eligible participants are 1954-crop corn producers who are in compliance with applicable regulations prescribed by the Secretary with respect to farm acreage allotments.

Operations: Nonrecourse loans are available from harvest (about August 1, 1954) through May 31, 1955 maturing July 31, 1955, or earlier on demand. In areas where the ASC State Committee determines that corn cannot be safely stored throughout the full storage period, the final date of availability shall be earlier as determined by the committee. The minimum level of support in the commercial corn area is \$1.62 per bushel, which is 90 percent of parity as of October 1, 1954. The support rate outside the commercial area is 75% of the commercial area rates. Loans are obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are on a note-and-chattel mortgage basis for farm-stored, and note-and-loan agreement basis for warehouse-stored corn.

Purchase agreements are offered to producers from harvest (about August 1, 1954) through May 31, 1955. A producer desiring to deliver corn under a purchase agreement must declare his intention to sell within a 30-day period ending on July 31, 1955. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431).

BASIS OF ESTIMATE: The support level for the 1955 crop of corn probably will not be determined and announced until February, 1955. The Agricultural Act of 1954 lowered the statutory minimum from 90 to 82-1/2 percent of parity, beginning with the 1955 crop and it will continue to be based on "old" parity in 1955. Present indications are that the national average support rate for the 1955 crop will be close to 88 percent of parity; and if parity in the spring of 1955 remains unchanged from October 15, 1954 (\$1.80), the support level will be \$1.58, down 4 cents compared with the 1954 crop. If the national average support level for the 1955 crop should be about \$1.58 per bushel, it is estimated that the national average price received by farmers for the 1955 crop will be about \$1.48 per bushel, about 9 cents less than the \$1.57 presently indicated for the 1954 crop.

Acreage allotments were in effect for the 1954 crop, so the \$1.62 support rate applied only in the "commercial corn area". The Secretary already has announced that acreage allotments again will be in effect for the 1955 crop, applicable only in the commercial area. The level of support outside of the commercial area will continue to be 75 percent of the level in that area, which according to present estimates would be about \$1.18 per bushel. About one-fifth of the total crop is produced outside of the commercial area, and normally there is very little price support activity in the non-commercial area.

With acreage allotments in effect in 1955, the total acreage that will be planted to corn is now estimated at about 81 million acres, very little less than in 1954. At average yields, a crop of about 3.1 billion bushels would be produced in 1955. Such a crop would be a little smaller than the expected total requirements in 1955-56, therefore it is anticipated that the carry-over in 1956 will be reduced somewhat below the carry-over in 1955.

It is presently expected that farmers will place about 300 million bushels of 1954 corn under support (compared with about 474 million for the 1953 crop) but that only about 140 million will be delivered to the CCC (compared with about 390 million from the 1953 crop). About 60% of the producers in the commercial corn area did not comply with their 1954 acreage allotments, hence many will not be eligible for price support in 1954-55. It is expected that compliance in 1955 will be somewhat higher and therefore more of the 1955 production will be eligible for price support. Present indications are that about 375 million bushels of the 1955 crop will go under support, 75 million more than for the 1954 crop. The CCC will undoubtedly continue to have a vigorous sales policy to dispose of its acquisitions, and it is hoped that the Corporation will be able to dispose of about 200 million bushels of its stocks in both fiscal 1954-55 and 1955-56. Most of the CCC sales will be for domestic use, although some will be for export under Public Law 480 and other programs.

PRICE SUPPORT PROGRAM, Basic Commodities

Cotton

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop upland cotton and extra long staple cotton at 90 percent of parity as required by law.

Eligibility: Eligible commodity is upland cotton produced in the United States in 1954, and extra long staple cotton produced from 1954 plantings in designated areas, of specified grade and staple length, in bales of at least 300 pounds not compressed to high density.

Eligible participants are producers of 1954-crop cotton with legal right to pledge it as security for a loan, and acceptable cotton cooperative marketing associations. Producers must comply with applicable regulations prescribed by the Secretary with respect to acreage allotments and marketing quotas.

Operations: Warehouse and farm storage loans are available from about July 1, 1954 through April 30, 1955 on : (1) upland cotton in all cotton-producing States; (2) American-Egyptian cotton produced in designated areas of Arizona, California, Texas, and New Mexico; (3) Sealand and Sea Island cotton produced in designated areas of Georgia and Florida; and (4) Sea Island cotton in Puerto Rico. Loans mature July 31, 1955, or earlier on demand.

The average loan rate for Middling 7/8-inch upland cotton, gross weight, is 31.58 cents per pound, which reflects 90% of August 1, 1954 parity; and for extra long staple cotton, 65.25 cents per pound, with an average of 65.53 for American-Egyptian and 56.22 cents for Sealand and Sea Island. Premiums and discounts, with appropriate location differentials will apply, except that no location differentials will be established for Sealand and Sea Island Cotton.

Loans are made on warehouse-stored cotton covered by Producer's Note and Loan Agreements, on farm-stored cotton by notes secured by cotton chattel mortgages, and on cotton covered by bills of lading in areas where there is a shortage of storage space and where arrangements can be made for handling the cotton. Loans may be obtained by producers from approved lending agencies, or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees and by cooperative associations direct from the Corporation. All cotton must be classed by a Board of Cotton Examiners of the U. S. Department of Agriculture. The classification fee is 25 cents a bale, except that no charge will be made if samples are submitted under the Smith-Doxey Program.

Cotton not redeemed by maturity date will be handled in accordance with loan agreements under which CCC has the right to sell, purchase, or pool the cotton upon maturity and nonpayment of the loans.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431).

BASIS OF ESTIMATE:

Upland - Acreage allotments and marketing quotas will be in effect during the 1955-56 marketing year and the minimum marketing quota of 10,000,000 bales will not be increased. Production for the 1955 crop is therefore estimated at 10,000,000 bales compared with a production of 13,104,000 bales from the 1953 crop and 16,253,000 bales from the 1952 crop. With imports estimated to remain at levels close to actual imports during the 1953-1954 marketing year a total supply of 22,825,000 bales and 19,335,000 bales is indicated for the marketing years 1954-1955 and 1955-1956, respectively.

Domestic consumption and exports, which totaled 12,264,000 bales in the 1953-1954 marketing year are expected to increase to 13,600,000 bales and 12,900,000 bales for the next two marketing years reducing the carry out from 9,611,000 bales at the close of the 1953-1954 marketing year to 9,225,000 bales at the end of the 1954-1955 marketing year and 6,435,000 bales at the end of the 1955-1956 marketing year.

Under these conditions of decreased production, increased disappearance and decreasing supply and carryout, it is expected that cotton loans on the 1954 and 1955 crops will drop sharply from the record volume pledged from the 1953 crop. It is estimated, therefore, that loans will be made on 2,500,000 bales during the fiscal year 1955 and on 2,000,000 bales during the fiscal year 1956. Percentage-wise, 41.6 percent of the 1953 crop went under loan and only 20 percent of the 1954 and 1955 crops are expected to be placed under loan. With disappearance exceeding production during the 1955-1956 marketing year it appears that redemptions of the 1955 crop will approximate 1,500,000 bales.

Extra long staple - Acreage allotments and marketing quotas will be in effect for extra long staple cotton during the 1955-1956 marketing year with a minimum marketing quota of 30,000 bales. It is also assumed that production for this year will approximate the minimum quota. This compares with a production of 29,000 bales estimated from the 1954 crop and an actual production of 64,500 bales from the 1953 crop. Allowing for imports of

100,000 bales during the 1954-1955 marketing year and 90,000 bales during the 1955-1956 marketing year a total supply of 277,000 bales and 287,000 bales for each of the marketing years 1954-1955 and 1955-1956, respectively, is indicated. Since the support level for the 1955 crop is prescribed at the minimum level for the supply percentage provided by the Agricultural Act of 1954, compared with a support level of 90 percent of parity which exists for the 1954 crop, a slightly smaller percentage of the 1955 crop is expected to be placed under loan. While 25,000 bales is estimated to be placed under loan during each of the fiscal years 1955 and 1956 the volume represents 86 percent of the production from the 1954 crop and 83 percent of the 1955 crop.

PRICE SUPPORT PROGRAM, Basic Commodities

Peanuts

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop peanuts at 90% of parity as required by law.

Eligibility: Eligible commodity is 1954-crop inspected, merchantable farmers' stock, quota peanuts suitable for storage and containing not more than 10% foreign material and No. 2 shelled peanuts produced therefrom.

Eligible participants are producers or cooperative marketing associations of producers, and shellers. Eligible producers must comply with applicable regulations prescribed by the Secretary with respect to peanut acreage allotments and marketing quotas.

Operations: Nonrecourse loans are available to eligible producers at 90% of August 1, 1954 parity, averaging 12.2 cents a pound from July 15, 1954 through January 31, 1955 maturing May 31, 1955 or earlier on demand. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are on a note-and-chattel mortgage basis for farm-stored peanuts and note-and-loan agreement basis for warehouse-stored peanuts. CCC will also purchase No. 2 shelled peanuts from commercial shellers from October 1, 1954 to not later than August 31, 1955.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431).

BASIS FOR ESTIMATE: The budget estimate for the 1955 crop is based upon normal expected yields from the legal minimum acreage allotment of 1,610,000 acres, which will result in a surplus above quota requirements. It is estimated that about 1/3 of the crop will be put under price support by producers, or approximately 450 million pounds of farmers stock peanuts. It is also estimated that over 1/2 of the peanuts under loan will be redeemed by producers because of anticipated favorable demand for peanuts by the trade and that CCC will be required to take over as collateral 200 million pounds. One-half or 100 million pounds will be sold for domestic crushing in fiscal year 1956 and the remainder carried into fiscal year 1957.

The above estimates are higher than the estimated volume of peanuts to be placed under loan from the 1954 crop based on the fact that estimated production in 1954, as indicated in the AMS Crop Report of November 10, 1954, is somewhat below the quota requirements as a result of poor yields in the Southeast and Southwest areas of production. Under these circumstances it is anticipated that only 50 million pounds of peanuts will be placed under loan under the 1954 peanut price support program during fiscal year 1955. It is estimated that 40 million pounds will be redeemed and that CCC will be required to take over collateral of 10 million pounds, all of which will probably be sold during fiscal year 1955 for domestic crushing. The volume of peanuts estimated to be placed under loan from the 1955 crop is comparable to the volume which went under loan from the 1953 crop when a like excess of supply (about 280,000,000 pounds) over domestic consumption and exports existed.

PRICE SUPPORT PROGRAM, Basic Commodities

Rice

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop rice at 90% of parity as required by law.

Eligibility: Eligible commodity is 1954-crop rough rice other than "mixed rough rice" grading No. 5 or better.

Eligible participants are producers and cooperative marketing associations of producers of 1954-crop rice.

Operations: Nonrecourse loans are available from about July 15, 1954 through January 31, 1955, and will mature April 30, 1955, or earlier on demand. The support price is the announced minimum average of \$4.92 per cwt., which is higher than 90% of parity as of August 1, 1954, the beginning of the marketing year. Premiums and discounts apply for the various varieties, grades, and milling qualities. Loans are obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are made on a note-and-chattel mortgage basis for rice stored on the farm and on a note-and-loan agreement basis when stored in approved warehouses.

Purchase agreements are offered to producers from about July 15, 1954 through January 31, 1955. Producers desiring to sell rice to the Corporation under a purchase agreement will have a 30-day period ending on April 30, 1955 during which to declare their intention to sell. The producer will not be obligated to sell any specified quantity; however, the amount specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431).

BASIS OF ESTIMATE: Acreage and production of rice have increased steadily each year since the War, to the point where the estimated production of 58.6 million cwt. (rough) for the 1954 crop was nearly twice the output in 1945. The outlook would be for still more expansion for the 1955 crop unless acreage is checked by a production adjustment program. In December 1954 the Secretary declared acreage allotments in effect for the 1955 crop, and announced that the supply position calls for marketing quotas. The farmers in a referendum voted in favor of marketing quotas (two-thirds must approve) and such a program will be in effect for the 1955 crop.

The Agricultural Act of 1954 lowered the mandatory minimum price support level on the 6 basic crops, including rice, from 90 to 82-1/2 percent of parity, effective for the 1955 crop. Under the forward pricing policy the minimum 1955 national average price support level for rice probably will not be announced until February 1955. For the purpose of this budget it is estimated that the 1955 support rate will be 89 percent of parity, since the producers did not disapprove marketing quotas.

On the basis of the production control program expected for 1955, it is estimated that the crop will be about 46 million cwt., approximately a fourth less than the 1954 crop. Present indications are that the carry-over on August 1, 1955, will be about 13.7 million cwt. Therefore, supplies in 1955-56 will total 60 million cwt., compared with approximately 66.5 million in 1954-55. With such unprecedentedly large supplies, it is estimated that about 14 million cwt. of the 1954 crop will go under price support (compared to 4.5 million for the 1953 crop), and that the majority of it, about 12 million cwt., will be delivered to the CCC (compared to about 3 million from the 1953 crop). Even though acreage allotments and marketing quotas are in effect for the 1955 crop, supplies still will be so large as to bring about heavy price support activities. It is presently estimated that about 5 million cwt. of the 1955 crop may be placed under price support, of which about 1 million may be delivered to the CCC.

PRICE SUPPORT PROGRAM, Basic Commodities

Tobacco

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop tobacco as required by law.

Eligibility: Eligible commodity is tobacco of the 1954-crop grown in the United States and in Puerto Rico. Eligible borrowers are growers of eligible tobacco who are in compliance with applicable regulations prescribed by the Secretary with respect to tobacco acreage allotments and marketing quotas. Growers of Pennsylvania Seedleaf Type 41 and Maryland Type 42 tobacco will not receive price support on the 1954 crop since they disapproved marketing quotas.

Operations: Nonrecourse loans are offered to cooperators at following levels and during the periods indicated:

	Average Support Price per lb.	Support level		Loans Available	
		% of parity	Parity as of	Earliest Date	Latest Date
Flue-cured	\$.479	90	7-1-54	7-1-54	2-28-55
Fire-cured .....	.348	75%	10-1-54	11-1-54	4-30-55
		of burley			
Burley .....	.464	91	10-1-54	11-1-54	4-30-55
Darkyair-cured and sun-cured .....	.309	66-2/3	10-1-54	11-1-54	4-30-55
		of burley			
Cigar filler & binder	.387	90	10-1-54	9-1-54	7-31-55
Puerto Rican .....	.326	90	10-1-54	2-1-55	9-30-55

Loans mature on demand.

Loans are made through grower cooperative associations or other responsible organizations which act for groups of growers in receiving, handling, and selling their tobacco. Costs incurred incidental to placing loan tobacco in storable condition and overhead costs of the cooperatives are advanced by CCC to the associations and become a part of the principal loan outstanding. No commercial insurance is carried on tobacco collateral. In lieu thereof the Corporation assumes the physical loss or damage on the tobacco and charges the loan account with a collateral fee of 1-1/2 cents per month per \$100 outstanding on the principal amount of the loan on tobacco stored in Continental United States and 3 cents per \$100 per month on tobacco stored in Puerto Rico.

Under the loan agreements the cooperatives in the auction areas bear overhead costs in connection with the loan operation in an

amount not less than 12 cents per cwt. and are authorized to pass this charge on to the grower. The charge in cigar-type areas, where the auction system is not used, will be established at a rate proportionate to the relative costs involved in each area.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431), and Section 2 of the Act of July 28, 1945 (59 Stat. 506).

BASIS OF ESTIMATE: Because practically all U.S. tobacco is produced under marketing quotas, sharp fluctuations in supplies are unlikely. Beginning in the second quarter of calendar year 1953, cigarette production declined for the first time in many years, and it is estimated that production during the fiscal year 1954 was about 5 percent lower than in the previous year. However, this decline appears to have leveled out. A slight increase in domestic disappearance of all types and kinds of tobacco is anticipated for the 1954-55 marketing year and also for the 1955-56 marketing year. Exports during the 1954-55 marketing year are estimated at 570 million pounds and for the 1955-56 marketing year at 550 million pounds.

Under the program about 10 to 15 percent of the total production normally moves under CCC loan. The percentage of total production placed under CCC loan was 13.5 for the 1953 crop and, under the relatively stable conditions of supply and utilization aforementioned it is estimated at 12.7% for the 1954 and 1955 crops.

Even though it is anticipated that the overall quantity of tobacco under CCC loan will be reduced during the fiscal year 1956, it is estimated that the average per-pound value will increase, resulting in a larger total amount of funds being used. This arises from the fact that a considerable part of the present tobacco collateral is of low to middle qualities, while there are indications that the 1954 and 1955 crop tobacco pledged for CCC loan will be of higher quality and consequently higher value.

PRICE SUPPORT PROGRAM, Basic Commodities

Wheat

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop wheat at not more than 90 nor less than 82-1/2 percent of parity as required by law.

Eligibility: Eligible commodity is wheat produced in the Continental United States in 1955 and shall be (1) any class grading No. 3 or better; or (2) any class grading No. 4 or No. 5 on the factor of "test weight" and/or because of containing "durum" and/or "Red Durum" but otherwise grading No. 3 or better. Wheat producers in the commercial producing areas must comply with applicable regulations prescribed by the Secretary with respect to wheat acreage allotments and marketing quotas.

Operations: Nonrecourse loans will be available from harvest (about May 15, 1955) through January 31, 1956 and will mature February 28, 1956 in designated States and March 31, 1956 in other States, or earlier on demand. The level of support in the commercial wheat-producing area will be \$2.06 per bushel which is 82-1/2 percent of parity as of August 15, 1954. This announced price will not be reduced, but will be increased if necessary because of any increase in parity or decrease in the supply percentage as of July 1, 1955, the beginning of the marketing year. The support level outside the commercial wheat-producing area will be 75 percent of that in the commercial wheat-producing area. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Farm-storage loans will be on a note-and-chattel mortgage basis and warehouse-storage loans on a note-and-loan agreement basis.

Purchase agreements will be offered to producers from about May 15, 1955 through January 31, 1956. A producer desiring to deliver wheat to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date, or on such earlier date as may be determined by the Corporation. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles I and IV of the Agricultural Act of 1949 (7 U.S.C. 1441, 1421-1431) as amended by the Agricultural Act of 1954, (Public Law 690, 83rd Congress).

BASIS OF ESTIMATE:

Price support for the 1955 crop was announced on September 15, 1954, at not less than 82-1/2 percent of current (old) parity, which was the statutory minimum established under the Agricultural Act of 1954. For the purpose of this budget it is assumed that the national average support rate will be \$2.06 per bushel, compared with \$2.24 for the 1954 crop which was based on 90 percent of parity on July 1, 1954. The \$2.06 average support rate will apply only in the 36 States comprising the "commercial area", which also was established by the Agricultural Act of 1954. In the newly designated 12-State "non-commercial area" the price support rate will be 75 percent of that in the commercial area, or \$1.55 per bushel. Price support activity in the 12 States normally is small, and will be insignificant in 1955-56. The 1952-53 average production in these 12 States was only 2.3 million bushels, one-fifth of one percent of the 1,234 million bushels produced in the U. S.

A national acreage allotment of 55 million acres was proclaimed on June 21, 1954, for the 1955 crop of wheat, and marketing quotas were approved by the farmers in a referendum on July 23, 1954. Acreage allotments and marketing quotas will not apply in the 12-State non-commercial area. The total allotment which had been apportioned to the 12-State area was only 72 thousand acres, so the impact from excluding this area on the allotment program, as well as on the price support program will be very small.

As a result of the decreased support level, prices received by farmers can be expected to decline in 1955-56, about 15 cents per bushel. Total supplies will continue to be near-record, despite the production adjustment programs in effect for 1954 and 1955 crops, and the carryover in both 1955 and 1956 is not likely to drop below 900 million bushels. However, under these conditions of decreasing production and a lower support level for the 1955 crop, the volume of wheat placed under price support from the 1954 crop is expected to decline to about 450 million bushels, compared with the record 558 million bushels of the 1953 crop under support; and the amount of 1955 crop which will go under support in 1955-56 is likely to decline further to about 350 million bushels.

It is expected that exports will increase somewhat in 1954-55 and 1955-56 to about 250 million bushels, due largely to aggressive export programs carried on by the Government, especially under Public Law 480, and the International wheat Agreement.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Honey

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price which beekeepers receive for honey as required by law.

Eligibility: Eligible participant is any individual, partnership, association, or corporation producing 1954-crop extracted honey.

Eligible commodity is limited to extracted honey of the 1954-crop produced in Continental United States, Hawaii, and Puerto Rico, packed in 60-pound or larger containers, equivalent to or better than U. S. Grade C, and not objectionable in flavor.

Operations: Nonrecourse farm-storage loans and purchase agreements are available from April 1, 1954 through December 31, 1954, and will mature not later than March 31, 1955. Direct purchases are authorized in Hawaii and Puerto Rico.

The national average support price of 10.2 cents a pound reflects 70% of parity as of February 15, 1954, adjusted to the 60-pound container level.

Loans are made on a note-and-chattel mortgage basis and may be obtained from approved lending agencies or direct from CCC through the Agricultural Stabilization and Conservation County Committees. Loan rate is determined on the basis of a sample from the lot or lots which will be placed under loan. Honey is to be stored in an approved storage structure located on or off the producer's premises, excluding public warehouses. Producer is obligated to maintain the structure in good repair and keep honey in good condition.

Purchase agreement deliveries will be accepted within the maximum quantity specified in the agreement.

Contracts on a negotiated or bid basis may be entered into with commercial honey packers for processing or repackaging which may be required either to protect or to facilitate the disposition of the commodity.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles II and IV of the Agricultural Act of 1949 (7 U.S.C. 1446, 1421-1431).

BASIS OF ESTIMATE:

With little change anticipated in imports, exports and domestic consumption of honey and no changes in the level of support contemplated, the annual production of honey becomes the most influencing factor as to the quantities estimated to be placed under price support. The production of honey during the marketing year 1954-1955 is estimated at 214,000,000 pounds, the lowest since the 1948-49 marketing year. As a result only 7,000,000 pounds of honey is expected to be placed under price support during the fiscal year 1955. A more normal yield of 240,000,000 pounds is expected to be produced during the 1955-1956 marketing year - an increase of 26,000,000 pounds. Almost all of the increased production is estimated to be placed under price support during the fiscal year 1956 so that the total quantity placed under support will aggregate 33,000,000 pounds. Only half of all honey placed under support is estimated to be delivered to the Corporation.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Milk and Butterfat

SUMMARY OF LATEST OPERATIONS:

Objective: To support the general level of prices to producers of milk and butterfat and the products of such commodities from April 1, 1954 to March 31, 1955 as required by law.

Eligibility: Eligible dairy products must be produced and located in the Continental United States and must be in units of not less than tariff minimum carlots for the area where the products are located. The following products are eligible at maximum rates indicated:

Butter (Solid packed in commercial containers):

	<u>U.S. Grade A or higher</u> (cents per pound)	<u>U.S. Grade B</u>
New York	58.25	56.25
Chicago, San Francisco and Seattle	57.5	55.5

American Cheddar cheese, U.S. Grade A or higher (Packed in commercial domestic or export containers);

33.25 cents per lb., domestic
packages
34.00 cents per lb., export
packages

Nonfat dry milk solids, U.S. Extra Grade (Packed in export containers):

	<u>Large containers</u>	<u>Small containers</u>
Spray	16.00 cents per lb.	21.0 cents
Roller	14.25 " " "	19.25 per lb.

Operations: Purchases are made from manufacturers and handlers of dairy products on the basis of offers and acceptances pursuant to announcements setting forth the terms and conditions of purchase. Purchase contracts are to be dated after March 31, 1954 and not later than March 31, 1955 for delivery not later than May 31, 1955.

Purchases of butter are on a "basing point" method. Base prices will be at the four terminal markets listed above. The purchase price at other points will be at the price of the market named by the seller less 80% of the lowest published domestic railroad carlot freight rate per pound gross weight

from the offer point to the designated market. Purchase prices were computed to reflect a general level of prices to producers of 75% of butterfat parity price and 75% parity equivalent price (as of April 1, 1954) for milk used in manufacturing principal dairy products or \$3.15 per cwt. for manufacturing milk testing 3.95% and 56.2 cents per pound for butterfat.

Nonrecourse loans were available through October 31, 1954 to manufacturers of dry and condensed whey (rate not exceeding 6¢ per pound) and dry buttermilk (rate not exceeding 9¢ per pound), on quantities owned by them from March 31 to August 31, 1954 in excess of their base inventories. Maturity date was the end of any month from August 31, 1954 to March 31, 1955 as elected by the borrower.

Donations under Section 416 to the Administrator of Veterans' Affairs, and to the Secretary of the Army, acting also for the Navy, Marine Corps and Air Force, is authorized for price-supported dairy products (including milk). An allowance by CCC may be made for surplus fluid milk purchased by the above agencies at rate of \$4.10 per hundredweight.

To support dairy prices, beginning September 1, 1954 and ending June 30, 1956, not to exceed \$50,000,000 annually of CCC funds shall be used to increase the consumption of fluid milk by children in non-profit schools of high-school grade and under. Payments are made through the facilities of the School Lunch Program upon certifications of use of additional milk by local schools. This operation is administered by the Agricultural Marketing Service.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714e), particularly section 714c thereof; and Title II of the Agricultural Act of 1949 (7 U.S.C. 1446) as amended by the Agricultural Act of 1954 (Public Law 690, 83rd Congress).

BASIS OF ESTIMATE:

Acquisitions and Dispositions - Milk production on farms is expected to total 125 billion pounds in the marketing year beginning April 1, 1954. This is 2.5 billion pounds more than production in the previous marketing year. Increased numbers of milk cows on farms and ample feed supplies appear likely to make this increase possible. Production in the first 4 months of the 1954-55 marketing year amounted to 1.2 billion pounds or 2.5 percent greater than a year earlier. Production in the marketing year beginning April 1, 1955 is expected to decline slightly as farmers adjust to the current level of price support. The support price for manufacturing milk is assumed to be reduced 6 percent for the 1955-56 marketing year mainly due to the revised method of calculating the parity equivalent for manufacturing milk.

It is estimated that civilian per capita consumption of milk and its products will increase slightly for the next two years, mainly due to the lower level of retail prices. The increase in terms of milk utilized will be greater than the increase in milk production, and CCC price support purchases of dairy products are estimated to decline in the fiscal year 1955. The further estimated decline in CCC purchases in the fiscal year 1956 will result partly from the projected decline in milk production. An increase in fluid milk consumption in schools to be brought about by the expenditure of up to \$50,000,000 by CCC in each of the fiscal years 1955 and 1956 will help to reduce CCC purchases of dairy products.

It is estimated that CCC purchases will represent about .7 and 4.5 percent respectively of milk production in the marketing years beginning April 1, 1954 and April 1, 1955, as compared with 10 percent for the marketing year beginning April 1, 1953.

Imports of dairy products, which are limited under Section 22 of the Agricultural Adjustment Act, will continue at about recent levels.

Exports will increase substantially over the 1953-54 marketing year because CCC is now permitted to pay for the cost of packaging and transportation to port of dairy products donated to private welfare agencies for distribution to needy persons overseas.

Increased Fluid Milk for Schools: - Section 201 (c) of the Agricultural Act of 1949, as amended August 28, 1954 (Public Law 690, 83rd Congress) provides that beginning September 1, 1954 and ending June 30, 1956, not to exceed \$50,000,000 annually of funds of CCC shall be used to increase the consumption of fluid milk by children in nonprofit schools of high school grade and under. Funds available for this program are advanced on a quarterly basis to the States, to reimburse schools in connection with the cost of additional milk served to children. Maximum rates of reimbursement are established by the Agricultural Marketing Service, but States are authorized to vary rates among schools within these limits. To be eligible to participate in the special school milk program, nonprofit schools must agree to serve fluid whole milk (including flavored whole milk) meeting State and local standards for butterfat content and sanitation, and to operate their food or milk service on a non-profit basis. As a further measure to encourage increased milk consumption in schools, an amount not to exceed one percent of the funds available through June 30, 1955 may be reserved by the Agricultural Marketing Service to study, in cooperation with State education agencies, possible new and more effective methods for increasing the availability and consumption of milk in schools.

Increased Fluid Milk for Armed Services and Veterans: The military service and Administration of Veterans' Affairs are being authorized to increase the issue of fluid milk for troop feeding and hospital messes in Continental United States under Section 204(d) Title II of the Agricultural Act of 1949, as amended August 28, 1954 (Public Law 690, 83rd Congress). Because increase in use by the Armed Forces and Administration of Veterans' Affairs will divert fluid milk from the manufacture of surplus dairy products that otherwise would be purchased by CCC, a substantial part (\$4.10 per hundredweight) of the cost of the increase is paid from CCC funds. The portion paid by CCC is equivalent to the cost of buying, handling and storing the butter and nonfat dry milk produced from a hundredweight of milk.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Mohair

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of mohair during the marketing year April 1, 1955 through March 31, 1956 as required by law.

Eligibility: Mohair produced in the Continental United States, its territories and possessions and shorn on or after January 1, 1955, and marketed on or after April 1, 1955, but not later than March 31, 1956.

Operations: Price of domestic shorn mohair is supported at 70 cents per pound, which is approximately 91 percent of the parity price for mohair as of October 1, 1954. While mohair support levels shall be at a level comparable to the wool incentive price, the mohair price level may vary as much as 15% above or below the comparable percent-of-parity wool incentive level. Payments are made to eligible producers, based on their net sales proceeds from shorn mohair marketed during the 1955 marketing year. Such payments are reimbursable from 70 percent of the annual specific duties collected on wool and wool manufactures. Payments to producers are on a percentage basis, reflecting the difference required to bring the national average price received by all producers up to the announced support level. Applications by producers for payment, determining producers' eligibility for payments, and computation of payments will be made through Agricultural Stabilization and Conservation County Committees.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly Section 714c thereof; and the National Wool Act of 1954 (Title VII of the Agricultural Act of 1954, Public Law 690, 83rd Congress, approved August 28, 1954).

BASIS OF ESTIMATE:

No price support activity is estimated for mohair during the 1954 marketing season. While mohair prices to producers declined during the past two seasons, they are currently estimated to be above the support level. The latest information available indicates that the consumption of mohair is about equal to that of last year and is tending to increase. It is estimated that the demand for the remainder of the marketing season will hold the price high enough to make price support operations unnecessary.

For the purpose of estimating the payments for mohair during the 1955 marketing season as required by the National Wool Act of 1954, it was assumed that the support level would be 70 cents per pound, the average price received by farmers for mohair would be 65 cents per pound, and that payments of 5 cents per pound would be made on 14 million pounds.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Tung Nuts

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop tung nuts as required by law.

Eligibility: Producers of 1954-crop tung nuts. Tung nuts must be matured, air dried with hard hulls and suitable for milling. Tung oil must meet Federal specifications.

Operations: Purchase agreements are available on eligible tung nuts from November 1, 1954 through January 31, 1955, at \$54.96 per ton, basis 18.5% oil content. This reflects 60% of October 1, 1954 parity, which is higher than 60% of the November 1, 1954 parity. The producer may deliver tung nuts or tung oil at his option, so long as the quantity does not exceed the maximum amount of tung nuts, or tung oil equivalent, specified in the purchase agreement. Notice of intention to deliver tung nuts must be made known by producers within a 30-day period ending March 31, 1955, and to deliver tung oil within a 30-day period ending October 31, 1955.

Nonrecourse loans and purchase agreements on eligible tung oil are available from November 1, 1954 through June 30, 1955, maturing October 31, 1955, or earlier on demand. The loan and purchase agreement rate for eligible tung oil, 21.2¢ per lb., was determined on the basis of a formula involving the support level of tung nuts and the milling fee and oil outturn per ton of nuts. Loans are made on a note-and-loan agreement basis with a warehouse receipt constituting the security. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles II and IV of the Agricultural Act of 1949 (7 U.S.C. 1446, 1421-1431).

BASIS OF ESTIMATE:

It is assumed for the purpose of these estimates that the embargo against Chinese tung oil will continue. On November 22, 1954 the President announced that Argentina and Paraguay would control their exports to the U. S. to 21.8 and 2.6 million pounds respectively during the marketing year ending October 31, 1955, including quantities of tung oil known to be on the high seas prior to this announcement. Domestic production of the 1954 crop of tung nuts was greatly affected by a severe freeze as a result of which it is estimated that 16 million pounds will be

produced during the 1954-1955 crop compared with 39.5 million produced in the 1953-1954 crop year. Because of new stock coming of bearing age and the tendency of heavy bearing after a crop failure, it is estimated that the 1955 crop will be the largest on record barring unforeseen bad weather conditions. It is estimated that 46.4 million pounds of tung oil will be produced from this crop. Since the level of domestic consumption of tung oil is fairly stable, at about 50 million pounds annually, it is expected that the volume of tung oil entering price support will closely parallel the fluctuating trend of production. Accordingly, it is estimated that during the fiscal year 1955 loans will be made on 14 million pounds of tung oil and purchase agreements on 500,000 pounds. Corresponding estimates for the fiscal year 1956 are: loans, 20 million pounds, purchase agreements, 10 million pounds. Loans were made on 32,866,366 pounds during the fiscal year 1954 and purchase agreements were made on 708,413 pounds.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Wool

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of wool during the marketing year April 1, 1955 through March 31, 1956 at incentive level necessary to encourage an annual domestic production of approximately 300 million pounds of shorn wool, grease basis, as required by law.

Eligibility: Domestic wool shorn on or after January 1, 1955, and marketed on or after April 1, 1955, but not later than March 31, 1956. Pulled wool from sheep and lambs marketed on or after April 1, 1955, but not later than March 31, 1956.

Operations: Price of domestic shorn wool is supported by incentive payments to producers, based on their net sales' proceeds from shorn wool marketed during the 1955 marketing year. Such payments are reimbursable from 70 percent of the annual specific duties collected on wool and wool manufactures. Pulled wool is supported by payments on the live weight of sheep and lambs, according to pelt classifications, marketed during the 1955 marketing year. Incentive payment for domestic shorn wool is 62 cents per pound, grease basis, being 106 percent of the parity price as of September 15, 1954. The incentive price for pulled wool (not yet determined) will compensate for wool sold to those for shorn wool. Payments supporting domestic shorn and pulled wool are made to eligible producers on a percentage basis, reflecting the difference required to bring the national average price received by all producers up to the announced incentive levels. Applications by producers for payment, determining producers' eligibility for payments and computation of payments will be made through Agricultural Stabilization and Conservation County Committees.

Charter

Authority: Commodity Credit Corporation/Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and the National Wool Act of 1954 (Title VII of the Agricultural Act of 1954, Public Law 690, 83rd Congress, approved August 28, 1954).

BASIS OF ESTIMATE:

Domestic wool production during 1955 is expected to show little change from the current level.

Based upon expected trends in consumer incomes, general commodity prices, U. S. consumption and imports of wool, supplies of wool currently available in the U.S., and the relationships between prices of domestic and imported wools, the price received by farmers for wool during the 1954 marketing season is expected

to remain close to the recent levels, around 55 cents per pound, grease basis. The average price received by farmers during the 1955 season is expected to be lower than for the 1954 season as a recent decline in prices of foreign wools, and a contraseasonal drop in mill consumption of wool have resulted in a sharp decline in domestic wool prices.

Auction sales for the 1954-55 selling season opened in Australia on August 30. Prices were approximately 10 percent below the closing prices of the last season in June. Subsequent declines resulted in some prices below the opening season's prices a year earlier. While this situation is not currently expected to continue, opening prices in Australia indicate that domestic wools may receive a somewhat greater competition from imported wools compared with that of the 1953 season and the current season to date. Slow domestic central markets for wool, because of a low cloth demand and uncertainty over wool prices in foreign markets during the new season, has brought about an irregular demand for domestic wool and an estimated increase in the amount of wool coming under the current support program. Consequently, it is expected that approximately 30 percent of the 1954 clip will be pledged compared with 20 percent of the 1953 clip. Since loans on the 1954 clip were available beginning April 1, 1954 and loans were made on 26 million pounds of wool prior to June 30, 1954, loans estimated to be made during the fiscal year 1955 are slightly less than actual loans made during the fiscal year 1954.

For the purpose of estimating incentive payments to producers of wool for marketings during the 1955 season under authority of the National Wool Act of 1954, it was assumed that the support level would be 62 cents, that the average price received by farmers for wool during the 1955 marketing season would be 52 cents per pound, grease basis, and that payments of 10 cents per pound would be made on 300 million pounds.

The change in the method of support from loans to incentive payments will permit an accelerated disposal of CCC inventories and it is estimated that all inventories will be sold by June 30, 1956.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Barley

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop barley as a feed grain in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is barley produced in 1955 and grading No. 5 or better or No. 5 Garlicky or better. Eligible participants are producers of 1955-crop barley.

Operations: Nonrecourse loans will be available from about May 15, 1955 through January 31, 1956, and will mature on February 28, 1956 in certain designated states and on April 30, 1956 in all other states, or earlier on demand. The national average support price will be 94¢ per bushel, which is 70 percent of November 15, 1954 parity price for all barley. It is estimated that this support price will not exceed 90 percent of parity as of the beginning of the marketing year. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for farm-stored barley and on a note-and-loan agreement basis for warehouse-stored barley.

Purchase agreements will be offered to producers from about May 15, 1955 through January 31, 1956. A producer desiring to deliver barley to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

With acreage allotments expected to be in effect for the 1955 crops of wheat, corn, rice and cotton, and with a further severe cut in wheat acreage called for, the acreage of barley harvested in the crop year 1955 is likely to be somewhat larger than in 1954, when it was nearly 13 million acres. At average yields, a production of about 350 million bushels can be expected, compared with the near-record crop of 367 million in 1954. A carry-in of about 125 million bushels is expected in 1955.

Imports will be larger than normal unless restricted, hence supplies in 1955 are likely to be close to a half billion bushels, second only to the record supplies of 526 million in 1942-43.

The support level for the 1955 crop will be 70 percent of parity (modernized), compared with 85 percent for the 1954 crop. Based on present parity, the national average support price for the 1955 crop of barley would be 94 cents per bushel, 21 cents less than for the 1954 crop. With the very large supplies expected, the average price received by farmers is likely to be about 5 cents per bushel less than the average support price. Prices for good malting barley can be expected to average above the support level, but prices for feed barley are likely to continue well below support, as they have in other recent years.

Under these conditions of abnormally large supplies, record amounts of barley can be expected to go under price support. It is presently estimated that a record 100 million bushels of the 1954 crop may be placed under support, (over twice the 44.8 million from the 1953 crop) and that as much as 65 million bushels may be delivered to the CCC (compared with an estimated 24 million from the 1953 crop). It is thought that price support activities will decline somewhat for the 1955 crop (because of the expected moderate decline in corn supplies, and moderate increase in livestock numbers, as well as a lower support level) with about 90 million bushels of barley going under support, and about 60 million bushels likely to be delivered to the CCC in 1955-56.

The Department recommended that imports of barley be restricted under Section 22, and a public hearing was held before the Tariff Commission on September 9-10, 1954. On October 18, 1954, the President issued a Proclamation limiting imports of barley to 27.5 million bushels during the year, October 1, 1954, through September 30, 1955.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities.

Beans, Dry Edible.

SUMMARY OF LATEST OPERATIONS:

Objective: To support 1954-crop dry edible beans at prices designed to help keep this year's acreage in approximate balance with needed production without resort to acreage allotments, and to promote orderly marketing.

Eligibility: Eligible commodity is dry edible beans of the following classes: Pea, Medium White, Great Northern, Small White, Flat Small White, Pink, Small Red, Pinto, Red Kidney, Large Lima, and Baby Lima produced in 1954 grading No. 2 or better and containing not in excess of 18 percent moisture. Eligible participants are producers or cooperative marketing associations of producers of 1954-crop dry edible beans.

Operations: Nonrecourse loans and purchase agreements are available from harvest (about August 15, 1954) through January 31, 1955 and will mature on February 28, 1955 in Pennsylvania, New York and Michigan and on April 30, 1955 in all other States, or earlier on demand. The support prices reflect an average of \$7.24 per 100 pounds, or 80 percent of February 15, 1954 parity for all dry edible beans.

Loans are made on a note-and-chattel mortgage basis for farm-stored beans and on a note-and-loan agreement basis for warehouse-stored beans. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees.

A producer who elects to deliver beans to the Corporation under a purchase agreement must declare his intentions to sell within a 30-day period ending April 30, 1955 (February 28, 1955 for Pennsylvania, Michigan and New York). The producer is not obligated to sell any specified quantity; however, the quantity specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Acreage of dry edible beans in 1954 increased to 1.7 million acres from 1.4 million in 1953, the increase being due largely

to the use of acreage diverted under the wheat and corn allotment programs and the late spring in some areas. The 1954 production (cleaned basis) is estimated at 16.4 million cwt. which, with estimated carryover stocks of 2.2 million and imports of 0.1 million, makes supplies for the 1954 crop year of 18.7 million cwt. It is estimated that production will be higher in 1955 and will more than offset a decrease in carryover supplies. Domestic consumption is not likely to increase materially. Accordingly, an increase in carryover stocks from the 1955 crop is anticipated.

Present indications are that growers will place 3.5 million cwt. of 1954-crop beans under price support as compared with 4.3 million under the 1953 program. Deliveries to CCC under the 1954 price support program are estimated at 1.3 million cwt. in the 1955 fiscal year.

The Department has not yet established the 1955 price support levels for dry edible beans. For the purpose of this budget, it is assumed that the level will be 70% of parity as compared with 80% on the 1954 crop. On this basis the average support level is estimated at \$6.27 as compared with \$7.24 on the 1954 crop. It is estimated the average farm price of all beans will be \$8.00 on the 1954 crop and \$6.50 on the 1955 crop. Present indications are that 5.9 million cwt. of 1955-crop beans will be placed under price support and deliveries to CCC will amount to 3.5 million cwt.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Cottonseed

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop cottonseed to eligible producers.

Eligibility:

a. Commodities:

- (1) Cottonseed containing not more than 11 percent moisture produced in the United States in 1954 by an eligible producer. Moisture content is not applicable to purchases.
- (2) Cottonseed and products from ginner and oil mills under contract with CCC.

b. Participants:

- (1) Producers of 1954-crop cottonseed as individuals, partnerships, corporations, associations or other legal entity.
- (2) Participating ginner (those filing notice with County Committee of intention to participate in program).
- (3) Participating oil millers.

Operations: Loans: Farm-storage non-recourse loans will be made through January 31, 1955, maturing March 1, 1955 or earlier on demand, at \$54.00 per ton for basis grade (100), about 75% of March 15, 1954 parity. Loans may be obtained direct from CCC through Agricultural Stabilization and Conservation County Committees and through approved lending agencies. Loans will be on note-and-chattel mortgage basis for cottonseed stored in approved structures (on or off farm) provided no warehouse receipts are outstanding.

Purchases: CCC will issue an open offer to purchase cottonseed from producers and participating ginner through February 28, 1955. The purchase rate to ginner will be \$54.00 per ton for basis grade (100) cottonseed, f.o.b. gin, and to producers, \$50.00 per ton. Ginner must agree to pay eligible producers not less than the support price. CCC will also issue an open offer to purchase certain cottonseed and products, from participating oil millers, for delivery not later than September 15, 1955

upon condition that all cottonseed purchased by the mills directly from producers be purchased at not less than the price CCC agrees to pay producers, and that all cottonseed purchased from CCC and others be purchased at not less than the f.o.b. gin price specified (\$54.00 per ton, basis grade (100)). Tender of end products processed from cottonseed purchased may be made through July 15, 1955.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

The level of support, the domestic price of cottonseed oil and the production of soybeans will remain approximately the same for the 1954 and 1955 crops. However, because of an anticipated reduction in cotton acreage the 1955 cottonseed crop is estimated at about 18 percent less than the 1954 crop. CCC acquisitions of oil, meal, linters from the 1955 crop are anticipated at about 775,000 tons (20 percent of the anticipated crush of 3.9 million tons of cottonseed or about one half the estimated acquisitions from the 1954 crop of 1.5 million tons, about a third of the anticipated crush). The quantity of 1955 crop cottonseed oil acquired by CCC will approximate the difference between an estimated minimum domestic consumption and exports to Canada of about 950 million pounds and the estimated production of 1200 million pounds. Quantities of meal and linters will correspond to the quantity of oil as determined by the "package relationship".

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Flaxseed

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop flaxseed at a level which will tend to bring supplies more in line with demand.

Eligibility: Eligible flaxseed is that produced in 1954 and Grading No. 2 or better. Eligible participants are producers of 1954-crop flaxseed.

Operations: Nonrecourse loans will be available from about April 1, 1954 through October 31, 1954 in Arizona and California and through January 31, 1955 in all other States. The national average support price for flaxseed grading No. 1 will be \$3.14 per bushel, which is 70 percent of the parity price of all flaxseed as of September 15, 1953. Loans will mature on January 31, 1955, or earlier on demand in Arizona and California and on April 30, 1955 in all other States. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for flaxseed stored on the farm and on a note-and-loan agreement basis when stored in an approved public warehouse.

Purchase agreements are available on eligible flaxseed for the same periods and areas as are loans. A producer electing to deliver flaxseed to the Corporation must declare his intention in this regard within a 30-day period ending January 31, 1955 in Arizona and California and ending April 30, 1955 in all other States, or on such earlier dates as may be prescribed by the Corporation. The producer is not obligated to sell any specific quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Direct purchases were available in designated Texas counties from harvest through July 31, 1954, as flaxseed produced in this area contains excess moisture and cannot be stored without deterioration. No direct purchases were made under this authorization.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

A record 5.8 million acres of flaxseed were planted for harvest in 1954, compared with 4.6 million acres in 1953, the increase being due largely to the use of diverted acres from the wheat acreage allotment program. Production in 1954 amounted to nearly 40 million bushels, which, with 13.9 million carry-over, resulted in supplies of about 53.9 million bushels. It is estimated that acreage, production, and supplies in 1955 will be still higher because of diverted wheat acres.

The Department has not yet determined the 1955 price support level for flaxseed. For the purpose of this budget it is assumed that it will be held at 70 percent of parity (modernized), the same level as for the 1954 crop. On the basis of current parity (October) the average support price for the 1955 crop will be \$3.12 per bushel, 2 cents less than for the 1954 crop. It is estimated that the average price received by farmers will be about \$3.00 per bushel from both the 1954 and 1955 crops, approximately 14 cents below the price support level in 1954 and 12 cents below in 1955.

Present indications are that farmers will place about 10 million bushels of the 1954 crop and 18 million bushels of the 1955 crop under price support (compared with 18.3 million of the 1953 crop); and that acquisitions and direct purchases will total about 6 million from the 1954 crop, and about 13.5 million bushels from the 1955 crop.

Domestic consumption of linseed oil is expected to remain about the same in 1954 and 1955 as in other recent years, but crushings can be expected to increase considerably. These estimates reflect the acquisition of 99,059,640 pounds of linseed oil during the fiscal year 1955 from the toll crushing of flaxseed delivered from the 1953 crop and, similarly, the anticipated acquisition of 40,000,000 pounds of oil during the fiscal year 1956 from deliveries from the 1954 crop of flaxseed. It is anticipated that all oil acquired during each fiscal year will be sold as well as the carryover stocks of 42,020,421 pounds on hand as of July 1, 1954. For budgetary purposes, it has been anticipated that the level of price support on the 1955 crop will not be below that of 1954. Thus, there would be incentive to build commercially-held stocks of oil up closer to "normal" working levels. It also has been anticipated that the level of support for the 1956 crop will be the same as that for 1955 and that there will be a continuing "build-up" of stocks to "normal."

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Naval Stores

SUMMARY OF LATEST OPERATIONS:

Objective: To help maintain adequate supplies and facilitate the orderly distribution of gum naval stores produced in the United States by supporting the level of prices to producers.

Eligibility: Eligible naval stores include (1) processed turpentine meeting prescribed specifications and stored in approved bulk tanks, (2) processed rosin, Federally graded X through I, packed in specified metal drums and placed in approved storage, and (3) the turpentine and rosin content of crude gum stored at processing plants adequately equipped with crude gum storage facilities. Producers may pledge the turpentine and rosin content of stored crude gum, the warehouseman being obligated to process the gum within specified time limits and deliver processed turpentine and rosin equal to or better than the grades and weights on which the loan is based.

Eligible borrowers are producers who are members of the American Turpentine Farmers' Association Cooperative of Valdosta, Georgia, and who cooperate in the Department's 1955 Gum Naval Stores Conservation Program or otherwise follow good forestry conservation practices as determined by the Association.

Operations: Loans are governed by an agreement between CCC and the single producer association representing about 95 percent of domestic gum production. Loans are available to eligible producers throughout the producing area during, and on production harvested in, the calendar year 1955 and mature July 1, 1956 or earlier on demand. The loan rate is \$129.02 for the naval stores production unit of 50 gallons of turpentine and 1,400 pounds of rosin. This reflects 90% of the parity price of crude pine gum, unprocessed basis, as of January 15, 1954. Initial loan rates are 50 cents per bulk gallon of turpentine and \$7.43 per cwt. of gum rosin, basis grade WG with a rate of 10 cents lower for Grades N, M, K and I, and 10¢ higher for Grades X and WW.

Producers are required to execute an agreement with the Association containing the terms and conditions upon which the loan is made. The Association enters into agreements with warehousemen and such agreements are assigned to CCC. Payment of the loan proceeds to the producer is effected by the warehouseman (acting as agent of the Association) making request therefor upon CCC through the Association. Such payments are made by check directly to producers or their designees by the Atlanta Federal Reserve Bank.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE :

Rosin: The estimated production of all types of rosin during the crop years ending March 31, 1955 and 1956 is 2,130,000 and 2,100,000 drums, respectively. This compared with 2,019,000 drums produced in the crop year ending March 31, 1954. This production, together with actual carry-in stocks approximating 898,000 drums and small imports of Mexican gum rosin, will provide a total available supply during the crop year ending March 31, 1955 of about 3,029,000 drums. This is about 2-1/2% more than the previous year's supplies. Supplies for the crop year ending March 31, 1956 are estimated at 2,981,000 drums, approximately mid-way between the supplies for the two previous crop years. The reduction from 1955 reflects lower than anticipated steam distilled wood rosin production and lower carry-in stocks.

The domestic market is expected to absorb 1,514,000 drums and 1,530,000 drums of the 1955 and 1956 availabilities, approximating 1 and 2% respectively, over domestic disappearance during the crop year ending March 31, 1954. This increase is explained in part by an anticipated slight rise in gross national product. Rosin exports during 1955 and 1956 have been estimated at 15% and 9%, respectively, in excess of actual exports during the crop year ending March 31, 1954. The substantial increase during 1955 reflects increased availability of dollar exchange and lower than originally anticipated foreign output owing to adverse weather conditions. Exports during 1956 have been estimated at slightly below 1955 levels mainly because of anticipated recovery in foreign output.

The market value of gum rosin is expected to average \$7.80 and \$7.50 per 100 pounds net during the crop years ending March 31, 1955 and 1956, respectively. The lower market value for 1956 reflects decreased export demand and a lower support level.

Assuming that the price of 1955 crop of crude pine gum will be supported at 80% of crude gum parity (in view of the estimated supply percentage of 104%) and that the turpentine support rate will be reduced from 50 to 40 cents per gallon, the rosin support rate is estimated at \$6.71 per 100 pounds net. Because rosin prices are expected to average about 30 cents per 100 pounds above the 1954 loan rate and 80 cents per 100 pounds in excess of loan value under the 1955 program, producers are expected to use these programs mainly as a device for carrying

their output from the flush to the slack production season.

Consequently allowing for a further decline in free wood rosin stocks, carry-out stocks on March 31, 1955 should approximate 880,000 drums or about five months' domestic and export requirements. This is about 2% under the carry-out for the previous year. A further reduction of about 3% in rosin carry-out is anticipated for March 31, 1956 to 850,000 drums.

Under these assumed conditions of supply and utilization, producers are expected to pledge about 30% of gum rosin output under the 1954 program and 50% of output under the 1955 program. This compares with 24% of the 1953 crop pledged. The estimated increase in the percentage of production to be pledged from the 1955 crop is due primarily to the fact that during the period of flush production, the reduction in the average farm price per cwt. is expected to be greater than the 30 cent decrease per cwt. anticipated for the marketing year. It is anticipated that all of the pledges under the 1954 and 1955 programs will be redeemed during the months of slack production when rosin prices tend to increase.

It is estimated that about 40,000 drums of CCC rosin stocks will be sold during fiscal year 1955.

Turpentine:- During the crop years ending March 31, 1955 and March 31, 1956 production of all types of turpentine is estimated at 28,750,000 gallons and 29,000,000, respectively. These estimates of turpentine output approximate 7 and 8%, respectively, in excess of production during the crop year ending March 31, 1954. This production together with carry-in stocks of 9,846,000 gallons and imports from Mexico of 1,000,000 gallons would provide a total supply of 39,600,000 gallons during the crop year ending March 31, 1955. This is about 100,000 gallons more than the actual supply during the previous year. Owing mainly to lower carry-in stocks of 9,000,000 gallons the total supply for the crop year ending March 31, 1956 is estimated at 39,000,000 gallons, a reduction of 600,000 gallons (about 1-1/2%) from the estimate for the previous year.

Domestic consumption during the crop years 1955-56 is expected to remain relatively unchanged at 25,100,000 gallons. Exports are expected to increase from 4,397,000 gallons in 1954 to 5,500,000 gallons and 4,900,000 during crop years ending March 31, 1955 and 1956, respectively.

The market value of turpentine is expected to average 50 cents per gallon during the crop year ending March 31, 1956. This is a decline of about 2 cents from the price per gallon for previous years. The support level for the 1955 crop (available during the calendar year 1955) is estimated at 40 cents per gallon. Under these conditions of relatively stabilized

supply and utilization, it is anticipated that about 13% of the gum turpentine crop will be pledged under each of the 1954 and 1955 programs (compared with 18 percent of the 1953 crop pledged) and that all of the turpentine pledged would be redeemed during the slack production winter months. Thus, because market values are expected to average about 10 cents per gallon above the loan rate, producers are expected to use the turpentine loan to promote orderly marketing throughout the crop year.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Oats

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop oats in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is 1955-crop oats grading No. 3 or better. Eligible participants are producers of 1955-crop oats.

Operations: Nonrecourse loans will be available from about May 15, 1955 through January 31, 1956 and will mature on February 28, 1956 in certain designated states and on April 30, 1956 in all other states, or earlier on demand. The national average support price will be 61 cents per bushel which is 70 percent of November 15, 1954 parity price for all oats. It is estimated that this support price will not exceed 90 percent of parity as of the beginning of the marketing year. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for farm-stored oats and on a note-and-loan agreement basis for warehouse-stored oats.

Purchase agreements will be offered to producers from harvest through January 31, 1956. A producer who elects to deliver oats to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer is not obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Acreage allotments and marketing quotas again will be in effect on the 1955 crop of wheat, and a further severe reduction in acreage is called for. Also, reductions again will be called for in the 1955 acreages of corn, cotton, and rice. Therefore, there is no reason to expect the acreage of oats harvested in 1955 to be less than the record 42 million harvested in 1954. If average yields are obtained, a production of 1,440 million bushels can be expected in 1955, somewhat less than the record

crop in 1954. A record carryover of about 330 million bushels is expected in 1955, hence supplies in 1955-56 are likely to be the largest in history. It is assumed that imports will amount to about 40 million bushels in both 1954-55 and 1955-56 with import controls in effect. Disappearance in 1955-56 is not expected to be much greater than the 1955 production, therefore the carryover in 1956 cannot be expected to be reduced very much.

The support level for the 1955 crop is 70 percent of parity (modernized), compared with 85 percent for the 1954 crop. Based on present parity, the national average support price for the 1955 crop would be 61 cents per bushel, 14 cents less than for the 1954 crop. With record supplies expected, the average price received by farmers is likely to be several cents below the support level in both 1954-55 and 1955-56.

Under these conditions of abnormal supplies, record amounts of oats are likely to go under price support. It is presently estimated that 95 million bushels of the 1954 crop will go under support (compared with 56.3 million for the 1953 crop), and that as much as 65 million bushels will be delivered to the CCC from the 1954 crop (compared with about 40.1 million from the 1953 crop). It is estimated that price support activities will decline somewhat for the 1955 crop (because of the expected moderate decline in corn supplies and moderate increase in livestock numbers, as well as lower support level) with about 75 million bushels of oats going under support, and about 45 million likely to be delivered to the CCC in 1955-56.

Oats generally are the most difficult of all grains for the CCC to dispose of. The export market is almost nil, except at subsidized prices. In 1953-54 the CCC was able to move its entire stocks, about 13 million bushels, into the drought-stricken areas, at 50 cents per bushel. Another drought relief program is in effect in 1954-55, and possibly the CCC will be able to dispose of about 1/2 its acquisitions from the 1953 crop under this program together with several million bushels of sales in the Southeastern States where the CCC must sell at reduced prices because oats cannot be stored very long. It is doubtful if the CCC can dispose of all the oats likely to be acquired in 1954-55 and 1955-56 except at heavily subsidized prices.

The Department recommended that import controls on oats under Section 22 be maintained after the existing controls expired on September 30, 1954. A hearing was held before the Tariff Commission on September 8, 1954. On October 4, 1954, the President issued a Proclamation limiting imports of oats to 40 million bushels during the year October 1, 1954, through September 30, 1955.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Rye

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop rye in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is rye produced in 1955 and grading No. 2 or better, or grading No. 3 on the factor of test weight only, containing not more than 1% ergot.

Eligible participants are producers of 1955-crop rye.

Operations: Nonrecourse loans will be available from about May 15, 1955 through January 31, 1956 and will mature on February 28, 1956 in certain designated states and on April 30, 1956 in all other states, or earlier on demand. The national average support price will be \$1.18 per bushel, which is 70 percent of November 15, 1954 parity price for all rye. It is estimated that this support price will not exceed 90 percent of parity as of the beginning of the marketing year. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for farm-stored rye and on a note-and-loan agreement basis for warehouse-stored rye.

Purchase agreements will be offered to producers from harvest through January 31, 1956. A producer desiring to deliver rye to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer is not obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Because of the production control program in effect on the 1954 crop of wheat, the acreage planted to rye expanded from 3.3 to slightly over 4 million acres. The national acreage allotment for the 1955 crop of wheat calls for a further cut in acreage, and it is likely that the acreage diverted to rye will increase 1955 plantings to about 4.5 million acres. If the usual percentage is harvested, and if average yields are obtained, the

crop will be about 26 million bushels. With an abnormally large carry-over of 15 million bushels in 1955, and with imports of about 3 million bushels expected, total supplies of 44 million bushels can be expected in 1955-56, the largest since 1944-45.

The 1955 support level is 70 percent of parity (modernized) compared with 85 percent for the 1954 crop. On this basis, it appears likely that the support price will drop to about \$1.18 per bushel, compared with \$1.43 for the 1954 crop, a reduction of 25 cents.

It is likely that the national average price received by farmers for the 1955 crop will be about \$1.08 per bushel, or 10 cents less than the average support level.

Under these conditions of abnormally large supplies, it is estimated that about 8.5 million bushels of 1954-crop rye will be placed under price support (compared with 5.4 million bushels for the 1953 crop), and that the bulk of it will be delivered to the CCC, 7 million bushels (compared with about 4.4 million bushels acquired from the 1953 crop). Present indications are that about the same will happen for the 1955 crop, i.e., about 9 million bushels will go under support and 6.5 million bushels will be delivered to the CCC.

Import controls are in effect for rye during 1954-55, with an import quota of 3.3 million bushels. Present controls will expire on June 30, 1955. For the purpose of this budget, it is assumed that import controls will be continued during 1955-56 on about the same basis.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Sorghums, Grain

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop grain sorghums in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is grain sorghums produced in 1955 grading No. 4 or better, or No. 4 Smutty or better, and containing not more than 13 percent moisture. Eligible participants are producers of 1955-crop grain sorghums.

Operations: Nonrecourse loans will be available from April 1, 1955 through January 31, 1956 and will mature March 31, 1956, or earlier on demand. The national average support price is \$1.00 per bushel, which is 70 percent of November 15, 1954 parity price for all grain sorghums. It is estimated that this support price will not exceed 90 percent of parity as of the beginning of the marketing year. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Farm-storage loans will be secured by notes and chattel mortgages and warehouse-storage loans will be secured by notes and loan agreements.

Purchase agreements will be offered to producers from April 1, 1955 through January 31, 1956. A producer desiring to deliver grain sorghums to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending March 31, 1956. The producer is not obligated to sell any specified quantity; however, the amount specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Another substantial increase in the acreage planted to sorghum grains is anticipated for the 1955 crop, due to the acreage controls which will be in effect on wheat, rice and cotton. Assuming average yields, a production of about 190 million bushels can be expected, about a fifth more than in 1954. With an expected carry-in of 35 million bushels from 1954-55, this production will result in a total supply for 1955-56 of about 225 million bushels. This compared with a supply of 185 million bushels for 1954-55, 116 million bushels for 1953-54, and an

average of 178 million bushels for the 1948-1952 period.

The support level for the 1955 crop will be 70 percent of parity (transitional), compared with 85 percent for the 1954 crop. On this basis it appears likely that support price will drop to about \$1.00 per bushel, compared with \$1.28 for the 1954 crop. It is likely that the national average price received by farmers will be a few cents less than the support level.

Under these conditions of increasing supplies, it appears likely that about 80 million bushels of sorghum grain will be placed under price support from the 1954 crop (compared with 46 million for the 1953 crop), and that nearly all of it, about 72 million bushels, will be delivered to the CCC (compared with about 41 million from the 1953 crop). It is thought that about 100 million bushels of the 1955 crop might go under price support, and that as much as 90 million bushels might be acquired by the CCC.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Soybeans

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1954-crop soybeans in order to keep this year's acreage in approximate balance with production needs without resort to acreage allotments and to promote orderly marketing.

Eligibility: Eligible commodity is soybeans having moisture content not in excess of 14 percent and grading No. 4 or better on all other factors. Eligible participants are producers of 1954-crop soybeans.

Operations: Nonrecourse loans are available from harvest (about August 15, 1954) through January 31, 1955, maturing May 31, 1955, or earlier on demand. The national average support price is \$2.22 per bushel, 80 percent of December 15, 1953 parity. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are made on a note-and-chattel mortgage basis for soybeans stored in approved farm-storage structures and on a note-and-loan agreement basis secured by warehouse receipts when place of storage is an approved public warehouse.

Purchase agreements are available to producers from harvest through January 31, 1955. A producer desiring to deliver soybeans to the Corporation under a purchase agreement must so declare his intentions within a 30-day period ending May 31, 1955, or on such earlier date as may be determined by the Corporation. A producer is not obligated to deliver any specified quantity of soybeans to CCC; however, the number of bushels specified in the purchase agreement is the maximum quantity which may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

A record 17.3 million acres of soybeans were harvested from the 1954 crop, due largely to heavy plantings on acreage diverted from corn and wheat which were subject to acreage allotments. The 1954 yield was somewhat below average, but the production of 338 million bushels was the largest on record. Requirements during 1954-55 are expected to nearly equal the supplies available and the carry-over in 1955 is likely to be reduced to a

low level, presently estimated at 5 million bushels. Acreage for the 1955 crop is expected to remain at about the same high level, and with average yields, production of about 360 million bushels can be expected. This would result in record supplies, probably somewhat in excess of ever-expanding requirements for soybeans, and it is estimated that the carry-over in 1956 will be about 10 million bushels.

The Department has not yet determined the 1955 price support level for soybeans. For the purpose of this budget, it is assumed that it will be reduced to 70 percent of parity (modernized), compared with 80 percent for the 1954 crop. Based on this assumption, the support price for the 1955 crop will be about \$1.95, 27 cents less than for the 1954 crop. Present indications are that the average price received by farmers in both 1954-55 and 1955-56 will average somewhat above the support level, as it did in 1953-54.

Despite the fact that supplies in 1954-55 will be approximately in line with requirements, it is expected that price support activity will be rather large, with about 33 million bushels going under price support (compared with 31.5 million from the 1953 crop), but it is estimated that about 3 million bushels will be delivered to the CCC (compared with practically none from the 1953 crop). In 1954-55 farmers can be expected to "play safe" by availing themselves of their price support privileges, even though they redeem most of the soybeans placed under support, as they did in the previous year.

Because of the larger supplies expected in 1955-56, and the indications that there may be some "surplus" soybeans, it is thought that farmers may place about 65 million bushels under price support, but it is estimated that they will deliver only about 15 million bushels to the CCC.

PRICE SUPPORT PROGRAM, Barter and Exchange

SUMMARY OF LATEST OPERATIONS:

Objective: To dispose of surplus agricultural commodities by means of barter or exchanges for (1) strategic and critical materials intended for incorporation into the national stockpile; (2) nonstrategic materials required for overseas supply programs of other government agencies; (3) materials required for off-short construction programs.

Eligibility: Materials designated strategic and critical must have been so designated by the Office of Defense Mobilization or its predecessor, pursuant to Sec. 2 of the Strategic and Critical Materials Stockpiling Act of 1946 (Public Law 520, 79th Congress) and must have been produced abroad. Non-strategic materials acquired are those which other government agencies require to meet overseas supply and construction program commitments. Such agencies must have designated the kind, quality, schedule of delivery and other conditions involved in the procurement and these agencies, or their government procurement agent, must have agreed to accept the materials. Strategic materials procured by the Commodity Credit Corporation and temporarily held as assets of the Corporation will be those designated by ODM as requirements to meet short or long term stockpile objectives and be such that the domestic economy will not be adversely affected by the acquisition and such that CCC's assets will be protected and result in savings in carrying charges as compared with cost of carrying surplus agricultural commodities. (Public Law 480, Sec. 303)

Operations: The usual policy of the CCC has been to consider only materials for which the Corporation will receive immediate reimbursement from the General Services Administration as procurement agent for the National Stockpile, or as procurement agent for other government agencies. Under Public Law 480, CCC is directed to barter for stockpile materials which, if necessary, are to be held as part of its assets until accepted by GSA for the stockpile. Government agencies are directed by this Act to fill any requirements for such materials through acquisition from CCC. Exchanges normally are made on a quantity for quantity basis, with exchange values figures on a dollar-for-dollar basis to determine the quantities.

The fair market value of the strategic materials or other materials to date has been determined by the GSA and the agricultural commodities given in the exchange are based upon market prices as determined by CCC. In instances where CCC

acquires strategic material to be held as Corporation assets, advice as to market values and trends will be sought from the procurement agencies having experience in this field, before final determination regarding any acquisition is made.

The Commodity Credit Corporation deals through private trade channels, but can deal directly with foreign governments where it is not practicable to carry out the barter through private trade channels.

Authority: The Commodity Credit Corporation Charter Act, as amended Section 4(h) insofar as strategic and critical materials are concerned; Section 5(f) of this Act insofar as other than strategic materials are concerned; and Public Law 480, especially Sec. 303, and Public Law 690, 83rd Congress.

BASIS OF ESTIMATE:

During the fiscal year 1954, surplus agricultural commodities owned by Commodity Credit Corporation, valued at \$29,436,781, were exchanged for strategic and critical materials produced outside of the United States. It is estimated that during each of fiscal years 1955 and 1956 surplus agricultural commodities valued at \$200,000,000 will be exchanged. This substantial rise in estimated program volume is based upon (a) the increased interest in the barter program on the part of private firms and other Government agencies concerned, and (b) the grant of additional authority to the Secretary contained in the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83rd Congress) and in the Agricultural Act of 1954 (Public Law 690, 83rd Congress). These authorities were designed to accelerate the Corporation's activities involving the exchange of surplus commodities for strategic and critical materials, for materials, goods or equipment required in connection with foreign economic and military aid and assistance programs, and for materials or equipment required for offshore construction programs carried out by other Government agencies.

PRICE SUPPORT PROGRAM, 1954 Emergency Feed Program

SUMMARY OF LATEST OPERATIONS:

Objective: To provide feeds at reduced prices to farmers and ranchers for maintaining their basic herds of cattle, sheep and goats in designated disaster areas.

Eligibility: CCC-owned feed grains (corn, grain sorghums, oats and barley) which have been acquired under the price support program.

Recipients are farmers and ranchers of declared disaster areas, whose eligibility is established by the local Farmers Home Administration County Committee.

Operations: Emergency feed is available to eligible farmers and ranchers during fiscal year 1955 at a reduced cost in the area where the grain is distributed. The reduction of 60 cents per cwt. in effect during the early months of the program was increased to \$1.00 per cwt. effective September 30, 1954 since local stocks had been used up and it was necessary to ship in supplies from constantly increasing distances, which advanced feed prices in those areas.

A farmer or rancher in a designated drought county who desires to participate in the program makes application to his local Farmers Home Administration county committee. This committee determines his eligibility and the amount of feed grain he can obtain under the special provisions of the program. Approval is granted on the basis of individual need within the objectives of the program, and is limited to the supplemental supplies needed for a period of not more than 60 days ahead.

The farmer or rancher then gets from his local county Agricultural Stabilization and Conservation Committee a "purchase order" indicating the approved quantity of grain he is eligible to buy under the provisions of the program. He buys from a local feed dealer, in effect using his purchase order to pay part of his bill - \$1.00 on each hundredweight. He buys from stocks the dealer has on hand, and at the prevailing local market prices - except that his purchase order covers part of the cost.

The producer obtains the approved quantity of feed grain from his dealer in the form of whole grain (corn, grain sorghums, oats, or barley), or if he wishes he can get the same amounts of these grains as part of mixed feed. If he elects to take mixed feed, it must contain at least the specified percentage by weight of the designated feed grains.

The dealer must certify delivery of the feed grain to the farmer or rancher, and the latter must also certify his receipt of the amount specified. With these requirements met, the dealer then receives from the local county ASC Committee a "dealer's certificate" in terms of dollars. The value of this certificate is the number of hundredweights of the designated grain actually delivered to the producer (up to the maximum authorized by the purchase order) multiplied by the \$1.00 per hundredweight.

The dealer can use the certificate to buy designated CCC-owned surplus feed grains. He can buy either directly from CCC (through area Commodity Offices of the Commodity Stabilization Service or from "bin sites" where grain is stored locally in CCC's own facilities), or indirectly through his regular supplier. The prevailing market price at the time of purchase is used in determining the quantity of CCC grain to be delivered against the certificates.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), P.L. 875 (42 U.S.C. 1855); and Sec. 407 of the Agricultural Act of 1949 as amended by Section 301 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Congress).

BASIS OF ESTIMATE:

It is impossible to accurately forecast the extent to which Commodity Credit Corporation stocks will be used for this program, but for budgetary purposes it is estimated that donations of corn, oats, barley and grain sorghums valued at \$64,430,000 will be involved in the 1954 program.

SUPPLY AND FOREIGN PURCHASE PROGRAM

SUMMARY OF LATEST OPERATIONS:

Objective: To procure agricultural commodities in the United States and abroad to meet the needs of United States Government agencies (principally those administering relief programs abroad), cash-paying foreign governments, international relief agencies, and domestic requirements. The production or stockpiling of agricultural commodities under Sections 303 and 304 of the Defense Production Act of 1950 is also carried out under this program.

Operations: Procurement for this program is usually made during peak marketing seasons and is closely coordinated with the price support program to provide the maximum benefit to American agriculture. Transfers to claimants are at prices designed to reimburse the Corporation for all costs incident to carrying out the program.

Generally, purchases are made at the best price obtainable at either an announced price or on an offer-and-acceptance basis in quantities, although purchases may also be made under formal competitive bids.

Purchases for any claimant, other than a Federal Government agency, require (1) a firm requisition or a firm contract from the claimant and (2) a deposit with the Treasurer, Commodity Credit Corporation, of cash or its equivalent, or other acceptable financial arrangements. Purchases for Federal agencies require a written order constituting a firm obligation. Purchases may be made in advance of firm commitments and prior to deposit of cash only upon specific authorization of the Board of Directors when it is anticipated that no risk of loss is involved. In addition, the Board of Directors may authorize the purchase and stockpiling of commodities in the interest of national security.

The defense production program includes a program to encourage and develop sources of supply of castor beans within the Continental United States and to insure a supply of castor beans, oil, and planting seed for industrial uses and stockpiling in connection with national defense.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714 c thereof; Act of July 16, 1943 (15 U.S.C. 713a-9); sections 303 and 304 of the Defense Production Act of 1950, as amended (Public Law 774 approved September 8, 1950; Public Law 96 approved July 31, 1951; and Public Law 429 approved June 30, 1952).

BASIS OF ESTIMATE:

The main activities now carried on are procurement of commodities for the Department of the Army and the Foreign Operations Administration, and initial financing of certain programs authorized under the Defense Production Act to assure adequate supplies of strategic and critical materials.

Total acquisitions and carrying charges are estimated at \$27,981,100 in the fiscal year 1956 compared with an estimated \$35,070,863 for 1955 and actual acquisitions of \$53,288,651 during 1954. The estimated decrease for 1956 primarily reflects decreased activity under Defense Production operations with respect to castor beans and oil, whereas the estimated decrease for 1955 results mostly from decreased purchases for the Foreign Operations Administration. Dispositions are estimated to total \$28,021,100 for the fiscal year 1956 compared with \$93,667,231 estimated for 1955 and actual dispositions of \$68,868,292 during 1954. The increase in 1955 reflects the liquidation of most operations under the Defense Production Act and the decrease in 1956 results from the discontinuance of these operations.

STORAGE FACILITIES PROGRAM

SUMMARY OF LATEST OPERATIONS:

Objective: To provide adequate storage facilities for CCC-owned and producer-owned commodities; to assist producers in financing the construction or purchase of suitable farm-storage facilities; to encourage the construction of needed commercial storage facilities; and to assist producers in financing the purchase of suitable mobile drying equipment to facilitate safe farm storage.

Operations: Bins and granaries were bought by the Corporation on an offer-and-acceptance basis and are located only in areas where it is determined that existing privately-owned storage facilities are not adequate. Depreciation and other costs of maintaining the structures and handling and conditioning grain stored therein are reflected as carrying charges on the commodities stored.

Storage use guarantees are negotiated under agreements with commercial firms, including cooperatives, operating under the Uniform Grain Storage Agreement, who agree to construct additional storage capacity for grains and oilseeds. Optional plans provide for guarantees of (1) 75% occupancy for a period of 3 years, to be reduced to 40% for the next 2 years; (2) 60% occupancy for 5 years; and (3) 50% occupancy for 6 years. The Corporation fulfills the guarantee, either by actual storage of CCC-owned commodities, or by making a payment. CCC has the option to require warehousemen to reserve space for storage up to the maximum amount of the occupancy guarantee level. The annual rate per bushel for unused space under the guarantee shall be 75% of the applicable annual area rate under the Uniform Grain Storage Agreement for wheat for the year the occupancy did not reach guarantee level. Applications for new storage agreements may be accepted until April 30, 1955 for storage capacity to be ready for occupancy by June 1, 1955.

Recourse loans are made to producers, either through approved lending agencies or by the Corporation, for financing the construction or purchase of suitable farm-storage facilities. Loans are for a maximum period of four years, payable in equal annual principal payments, with interest at the rate of 4% on the unpaid balance. The maximum amount to be loaned on any new farm-storage facility is 45 cents per bushel of capacity (30 per ton of cottonseed capacity), provided that such maximum amount does not exceed 80% of the cost incurred. Loans are secured by chattel mortgage on the storage facility, real estate mortgage, deed of trust or other security instrument depending upon the type of structure and the amount of the loan. Any past-due payable or pre-payable installment may be deducted and paid out of any amounts due the borrower on any program carried out by the Department of Agriculture.

Recourse loans are made to producers, either through lending agencies or by the Corporation, for financing the purchase of mobile drying equipment. Loans are for a maximum period of three years, payable in equal annual principal payments beginning on the first anniversary date of disbursement of the loan, with interest at the rate of 4% per annum on the unpaid balance. The maximum amount to be loaned on mobile drying equipment is 75% of the delivered cost. Loans are secured by chattel mortgages. The Corporation may prepay, or require the borrower to prepay, the amount of any annual installment out of the proceeds from any price support loan or purchase agreement due the borrower within 12 months preceding the date on which the installment falls due. Any past-due installment may be deducted and paid out of any amounts due the borrower on any program conducted by the Department of Agriculture.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly sections 714b and c thereof.

BASIS OF ESTIMATE:

During the fiscal year 1954, it was necessary to increase the storage capacity of Corporation-owned structures by 196,211,195 bushels. In the early part of the fiscal year 1955 it became necessary to purchase additional structures with a capacity of 106,077,464 bushels. No further expansion of Corporation structures is now contemplated during the remainder of the current fiscal year or for the fiscal year 1956.

Acceptance of applications for storage use guarantees was discontinued August 20, 1954 because of the estimated reduction in this year's crops due to the drought. It is estimated that the capacity of storage agreements in effect will be 250,000,000 bushels for each of the fiscal years 1955 and 1956 compared with agreements for a capacity of 168,000,000 bushels in effect as of the close of the fiscal year 1954. Claims covering guarantee occupancy contracts are expected to amount to \$500,000 in each of the fiscal years 1955 and 1956.

In order to provide adequate farm storage facilities in 1955 and 1956, it is estimated that the Corporation will be required to make loans on facilities having a total capacity of 60,000,000 bushels in 1955 and of 45,000,000 bushels in 1956. In addition, it is estimated that loans to finance the purchase of mechanical driers totaling \$250,000 will be made during 1955 compared with \$200,000 for 1956.

COMMODITY EXPORT PROGRAM

The following summaries cover the major commodity export programs which the Corporation anticipates will be required during each of the fiscal years 1955 and 1956 and the bases for such estimates.

Wheat and Wheat Flour Exports Pursuant
to The International Wheat Agreement

SUMMARY OF LATEST OPERATIONS:

Objective: To encourage exportation of wheat and wheat flour to participating importing countries and at the same time exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement.

Eligibility: Importing countries that have approved the International Wheat Agreement are eligible to purchase wheat and wheat flour equivalent produced in the United States at specified prices. The wheat and wheat flour may be sold by the CCC or by commercial exporters.

Operations: There are two types of activities under this operation:

- (1) Sale of wheat acquired under the price support program and wheat and wheat flour acquired under the supply program which the Corporation determines to be eligible for recording against the guaranteed quantities of the United States Government and the importing countries under the International Wheat Agreement. Sales are made at prices not in excess of the maximum equivalent price provided in the International Wheat Agreement. Sales prices may be determined at the time of sale and in advance of the date of shipment. In addition, purchasers are charged for carrying charges and marketing costs as permitted under the International Wheat Agreement.
- (2) The Corporation is authorized to make payments to commercial exporters of domestic wheat and wheat flour processed therefrom in the United States pursuant to sales to participating countries which the Commodity Credit Corporation determines are eligible for entering in the records of the Wheat Council as sales against the United States export quota.

The payments are made on the basis of published announcements of the rate for the date or period of sale. Rates are determined on the basis of the relationship between current domestic

market prices and current prices equivalent to the International Wheat Agreement basic maximum price of \$2.05 per bushel for No. 1 Manitoba Northern wheat in bulk at Fort William and Port Arthur. Since the exact cost of operations under the Agreement cannot be determined until the end of any fiscal year, the International Wheat Agreement Act of 1949, as amended, authorizes the Corporation to use its general borrowing authority to pay current obligations and then request the Congress to provide funds to reimburse the Corporation for any losses incurred under this program. Pending such reimbursement, the Corporation is authorized to establish the net costs of operations under the Agreement as an account receivable.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Section 2 of the International Wheat Agreement Act of 1949, as amended, (7 U.S.C. 1641-1642).

BASIS OF ESTIMATE:

The budget estimate assumes that sales will be made at approximately 30¢ below the maximum Wheat Agreement price during the fiscal years 1955 and 1956. It is also assumed that approximately 150 million bushels will be exported in each of those years. The net cost of such exports to the Government, including administrative costs and interest to the date of recovery by the Commodity Credit Corporation, is estimated at \$106,861,530 in fiscal year 1955 and \$84,024,035 in fiscal year 1956. The domestic price, converted to an f.o.b. ocean vessel basis and weighted according to the quantities expected to be exported from the various U. S. ports, is estimated to be \$2.40 per bushel in fiscal year 1955 and \$2.25 in fiscal year 1956. The weighted average price at which it is estimated wheat will be sold under the agreement is \$1.70 per bushel. The estimated cost, per bushel, under the International Wheat Agreement operations of 70 and 55 cents, respectively, in fiscal years 1955 and 1956 represents the difference between the estimated domestic price and the weighted average selling price under the Agreement.

During the fiscal year 1954 a total of 118,025,100 bushels of wheat were exported under the Agreement. An appropriation is being requested in the 1956 Budget estimates in the amount of \$57,378,551, to reimburse the Corporation for its net uncovered costs during fiscal year 1954 charged to the International Wheat Agreement, and interest through June 30, 1955.

COMMODITY EXPORT PROGRAM, Wheat Export

SUMMARY OF LATEST OPERATIONS:

Objective: To institute a program designed to obtain for the United States a reasonable share of the world export wheat and wheat flour market.

Eligibility: Eligible commodity is CCC-owned wheat offered for sale to the export trade for export as wheat or flour. Persons buying the wheat for export will be required to give evidence of export sales and certify that the wheat will not be substituted for International Wheat Agreement exports. Sales of wheat will not be eligible for International Wheat Agreement subsidy and will not be eligible for application to any country's guaranteed purchases under the International Wheat Agreement.

Operations: Under this program wheat is offered to the export trade for export as wheat or flour, in addition to exports under the International Wheat Agreement, at competitive prices below domestic market price but not below the applicable International Wheat Agreement price.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Section 407 of the Agricultural Act of 1949.

BASIS OF ESTIMATE:

A total of 45,801,583 bushels of wheat was exported under this program during the fiscal year 1954, and it is estimated that 55,000,000 bushels of wheat will be so exported during each of the fiscal years 1955 and 1956, valued at \$132,000,000 and \$123,750,000, respectively.

COMMODITY EXPORT PROGRAM, Sales for Foreign Currencies

SUMMARY OF LATEST OPERATIONS:

Objective:

- (a) To make available for sale for foreign currencies surplus agricultural commodities acquired or to be acquired by the Commodity Credit Corporation in the administration of its price support operations, and
- (b) Make available funds to finance the sale and exportation of surplus commodities from stocks owned by the Corporation or pledged as security for price support loans or from stocks privately owned if the Corporation is not in position to supply the commodity from its own stocks. To facilitate the use of private trade channels in cases where Commodity Credit Corporation is in position to supply the commodity from its stocks, the Corporation may finance the sale and exportation of privately owned stocks if the exporter makes arrangements to purchase the same commodity of comparable value or quantity from the Corporation's stocks.

Such foreign currencies will be used to expand international trade, to encourage economic development, to purchase strategic materials, to pay U. S. obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the U. S.

Eligibility: Surplus agricultural commodities are defined as any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the U. S., either privately or publicly owned which is or may be reasonably expected to be in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

Operations:

- (1) After a formal agreement has been entered into with a foreign government, the Foreign Agricultural Service will issue to that country, upon its application, purchase authorizations specifying the kinds, approximate quantities, and maximum dollar values of the commodities and the conditions under which purchases may be made. At the same time, FAS ^{will} issue a public announcement containing details of the authorizations and other information that United States suppliers will need in making sales to the foreign importers. The announcement will indicate whether U. S. suppliers will be required to purchase CCC stocks in order to participate.

(2) U. S. suppliers and foreign importers will then negotiate sales and enter into contracts in which the sales price will be expressed in U. S. dollars.

(3) Normal commercial procedures, based largely on letters of credit, will be followed in carrying out the contracts: (a) Importers will pay for commodities in local currency through their local banks; (b) Suppliers will be paid in dollars by U. S. banks with which the foreign banks have established dollar letter of credit arrangements; (c) The U. S. banks will be reimbursed by CCC and (d) the foreign currency will be deposited to the account of the U. S. Government in accordance with arrangements made between the governments of the United States and the importing country.

CCC will issue contract announcements containing the terms and conditions governing purchase by U. S. suppliers of commodities from CCC stocks. The announcement will state whether the identical stocks so purchased shall be exported or whether "equivalent" stocks as defined in the announcement may be exported. The announcement will also specify the financial arrangements which must be made in order to purchase the commodities from CCC stocks.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o) and the Agricultural Trade Development and Assistance Act of 1954, Title I (Public Law 480, 83rd Congress, approved July 10, 1954).

BASIS OF ESTIMATES:

Estimates of the volume of specific commodities to be sold under the provisions of this title are highly tentative. For budgetary purposes, however, it has been assumed that sales for foreign currencies will involve Commodity Credit Corporation costs totaling about \$400,000,000 in fiscal year 1955, and \$200,000,000 in fiscal year 1956. It has also been assumed that during the fiscal years 1955 and 1956 respectively, the Corporation will receive \$40,000,000 and \$125,000,000 for foreign currencies used by other agencies. Appropriate adjustments have been made in accounts receivable to reflect additional funds to be received for foreign currencies in subsequent fiscal years as well as amounts to be recovered by appropriation in the 1957 and 1958 budgets.

Subsequent to the preparation of these estimates, the estimated costs during fiscal year 1955 have been increased to \$453 million.

Operating Results and Retained Earnings

The Corporation's records show that operations as described in the foregoing resulted in a net budget expenditure of \$1,216 million in 1954. It is estimated that such operations will result in net budget expenditures of \$2,159 million in 1955 and \$1,015 million in 1956. The Treasury, however, during the fiscal year 1954, did not reflect in the Corporation's checking account note cancellations to reimburse the Corporation for prior year costs of eradication of foot-and-mouth disease and International wheat Agreement. For budgetary purposes, therefore, the budget estimates reflect net budget expenditures of \$1,526 million for the fiscal year 1954. The net loss for 1954, including both realized losses of \$588 million and net increases in valuation allowances of \$413 million amounted to \$1,001 million. It is estimated that net losses of \$1,029 million and \$820 million will be incurred in 1955 and 1956, respectively.

Pursuant to the act of March 8, 1938, as amended (15 U.S.C. 713a-1), an appraisal of the assets and liabilities of the Corporation is made each year by the Secretary of the Treasury to determine net worth. If the net worth is less than \$100,000,000 the Secretary of the Treasury restores the amount of capital impairment; if net worth is more than \$100,000,000 the Corporation pays the surplus to the Treasury (15 U.S.C. 713a-2).

Annual appraisals as of June 30, 1953, and as at the close of prior fiscal years, were based upon valuation of assets at the lower of cost to the Corporation or average market value during June of the fiscal year. Capital impairment determined in that manner resulted from valuation of assets at less than cost and from realized losses on sales and other operations. Public Law 312, approved March 20, 1954, provides that the appraisal of assets shall be on the basis of cost to the Corporation; therefore, future appraisals will determine the amount of surplus or capital impairment on the basis of realized losses without regard to established losses from revaluation of assets.

There was a deficit of \$1,092,306,419 on the books of the Corporation as of June 30, 1954. This deficit is composed of \$1,049,338,923 in valuation reserves established against the assets of the Corporation as of June 30, 1954; \$41,332,837 representing costs, recorded on the books of the Corporation at June 30, 1954, in connection with the furnishing of feed in the drought emergency program; and \$1,634,659 in unrestored realized losses. Only that portion of the deficit which represents actual realized losses is subject to restoration under the provisions of Public Law 312. The total realized loss of \$588,501,678 for the fiscal year 1954, had, in effect, been restored to the extent of \$545,534,182 by the act of

February 12, 1954. The 1956 Budget proposes appropriations to effect the restoration of the difference of \$42,967,496; \$41,332,837 relating to the furnishing of feed in the drought emergency program and the remainder, \$1,634,659 for unrestored realized losses.

Financial Condition

The Corporation's assets, which consist principally of price-support loans receivable and inventories, were valued at \$5,535 million as of June 30, 1954, and are estimated at \$6,508 million as of June 30, 1955, and \$5,598 million as of June 30, 1956. The estimated decrease in assets as of June 30, 1956, below June 30, 1955, primarily represents a decrease of \$630 million in the estimated value of loans outstanding and a decrease of \$61 million in the estimated value of inventories offset by an increase of \$197 million in the estimated value of accounts and notes receivable. The decrease in loans outstanding is due primarily to cotton. The increase in accounts and notes receivable mainly reflects the financing of sales for foreign currencies and assistance to friendly peoples under the Agricultural Trade Development and Assistance Act of 1954, for which the Corporation will not be reimbursed until 1957 and subsequent fiscal years.

The changes in the Corporation's assets are also reflected in its principal liabilities and investment of the United States Government. Outstanding borrowings from the Treasury are estimated to amount to \$6,339 million as of June 30, 1955, and \$7,352 million as of June 30, 1956. Other liabilities of the Corporation, principally, price support loans held by banks, amounted to \$2,347 million as of June 30, 1954; it is estimated that these liabilities will amount to \$1,791 million as of June 30, 1955; and \$1,086 million as of June 30, 1956. In addition, the Corporation had contingent liabilities as of June 30, 1954, amounting to \$225 million. It is estimated that these contingent liabilities, consisting primarily of purchase agreements outstanding, will amount to \$89 million and \$127 million as of June 30, 1955, and 1956, respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses cover the costs of the general supervisory and operating staff engaged in carrying out the programs of the Corporation. Estimated costs of the audit of the Corporation's accounts by the General Accounting Office and rental costs for the Corporation's proportionate share of the office space in Government-owned buildings in Washington occupied by personnel of the Commodity Stabilization Service are included as administrative expenses. Not included in this category, however, are necessary expenses (including special services performed on a contract or fee basis, but excluding other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property which the Corporation owns or in which it has an interest. Such expenses are treated as non-administrative as provided in the language carried annually in the appropriation act making corporate funds available for administrative expenses. The language proposed in the Budget for the fiscal year 1956 authorizing expenditures for administrative expenses of the Corporation contemplates that the Corporation will, consistent with its established practice, treat as non-administrative expense all expenses of the types which have been so treated since 1951. It is also contemplated that administrative expenses will be accounted for on an obligation basis as has been the case in the current and prior years.

Administrative services are performed for the Corporation by the employees of the Commodity Stabilization Service, and the Corporation assumes its equitable share of the costs of Commodity Stabilization Service personnel and other expenses. In addition, the Corporation utilizes the services of other agencies when it is advantageous to do so.

The requested administrative expense authorization does not include any amount for administrative expenses incurred in connection with the supply and foreign purchase program. Under this program, the Corporation procures agricultural commodities for sale to other Government agencies, to foreign governments, to domestic, foreign or international relief or rehabilitation agencies, and to meet domestic requirements. The production or stockpiling of agricultural commodities initiated under Sections 302 and 303 of the Defense Production Act of 1950 is also carried out under this program. The budget for the fiscal year 1956 contemplates that the Corporation will be fully reimbursed for administrative expenses incurred in connection with this program. Such reimbursements, which are generally obtained through a mark-up on invoices evidencing sales under this program, are credited on the books of the Corporation to an income account which, in turn, is charged with all of the administrative expenses incurred in connection with this program.

Balances remaining in the account at the end of any fiscal year are used in succeeding fiscal years to defray administrative expenses incurred in liquidating all phases of this program. The mark-up is established at a rate which is so determined and applied as to provide full reimbursement on an over-all basis for all administrative expenses in connection with the supply and foreign purchase program and takes into account the fact that with respect to particular commodities, sales, or operations the mark-up may be more or less than the exact administrative expenses incurred. The rate of mark-up is adjusted from time to time as conditions warrant.

RESTORATION OF CAPITAL IMPAIRMENT,
COMMODITY CREDIT CORPORATION

Appropriation Act, 1955	- -
Budget Estimate, 1956	\$1,634,659
Increase	<u>+1,634,659</u>

Note: Although an increase of \$1,634,659 is requested for this item in 1956, on a direct appropriation basis, there is actually a decrease of \$548,517,189 compared with the authorization contained in the Act of February 12, 1954 (Public Law 295), providing for cancellation of notes issued by the Commodity Credit Corporation to the Secretary of the Treasury.

PROJECT STATEMENT

:Note Cancellations in 1954 :			:Budget Estimate,
By Project or :	1952 Im- :	1953 Impair- :	Decrease : 1956 (1954
Function :	pairment, :	ment (P.L. 295):	: Impairment)
Restoration of:	:	:	:
Capital Im- :	:	:	:
pairment ..:	\$96,205,161:	\$550,151,848:	\$548,517,189:
			\$1,634,659

DECREASE

The decrease in this item results from the effect of the Act of March 20, 1954 (P.L. 312, 83d Congress) which changed the annual appraisal of the assets to a realized cost basis. Previous restorations were based upon the valuation of assets at the lower of (1) cost to the Corporation, or (2) average market value during June of the fiscal year. On this basis, the capital restoration of \$550,151,848 provided by the Act of February 12, 1954 (Public Law 295) included estimated losses of \$545,534,182. Following the change in the appraisal basis, this \$545,534,182 became available for application against losses realized in the fiscal year 1954. Total realized losses in the fiscal year 1954 amounted to \$547,168,841 (excluding the 1953 Emergency Feed Program, for which a separate appropriation is being requested in 1956). After application of the \$545,534,182 restored in 1954 by Public Law 295 to the realized loss for 1954, the remainder, \$1,634,659, represents the unrestored realized loss for which an appropriation is requested in the 1956 Budget Estimates. Details of the estimate are as follows:

Cumulative operating loss as of June 30, 1953	\$3,232,454,235
Less: Estimated losses as of June 30, 1953	<u>636,711,746</u>
Realized losses as of June 30, 1953	2,595,742,489
Cumulative restoration of capital impairment (based on valuation of assets) as of June 30, 1953	<u>3,141,276,671</u>
Excess of restorations over realized losses as of June 30, 1953	<u>545,534,182</u>

Total realized losses, fiscal year 1954 ..	\$588,501,678
Less: Losses during 1954 on feed furnished in emergency disaster areas (included in the proposed appropriation of \$42,100,000.)	<u>41,332,837</u>
Realized losses to be recovered pursuant to Act of March 8, 1938, as amended	547,168,841
Less: Estimated losses previously restored	<u>-545,534,182</u>
Amount to be recovered through June 30, 1954	<u><u>1,634,659</u></u>

CHANGE IN LANGUAGE

The estimate for this item includes proposed new language as follows:

To restore the capital impairment of the Commodity Credit Corporation determined by the appraisal of June 30, 1954, pursuant to section 1 of the Act of March 8, 1938, as amended (15 U.S.C. 713a-1), \$1,634,659.

The new language is proposed in order to provide an appropriation for restoration of the capital impairment of the Commodity Credit Corporation in accordance with (1) Section 1 of the Act of March 8, 1938, as amended, which authorizes the appropriation of "... an amount equal to any capital impairment found to exist by virtue of any appraisal as provided herein" and (2) the Act of March 20, 1954 (P.L. 312, 83d Congress) which requires that "such capital impairment shall be restored with appropriated funds as provided herein rather than through the cancellation of notes".

ADMINISTRATIVE EXPENSES, COMMODITY CREDIT CORPORATION

Appropriation Act, 1955 (Limitation on use of Corporate funds)	\$18,000,000
Supplemental authorization (Urgent Deficiency Appropriation Act, 1955)	7,290,000
Base for 1956	25,290,000
Budget Estimate, 1956	26,000,000
Increase (to provide for anticipated program volume in 1956 and for a contingency reserve for potential needs)	+710,000

PROJECT STATEMENT

	1954	1955 :(estimated)	Increase or Decrease	1956 :(estimated)
1. Price support program	\$18,550,796	\$23,877,000	-\$416,914(1)	\$23,460,086
2. Storage facilities program	1,084,181	1,298,000	+92,000(2)	1,390,000
3. Commodity export program	13,639	115,000	+100,000(3)	215,000
4. Subsidy program (in liquidation)	1,565	- -	- -	- -
Contingency reserve or unobligated balance	249,819	- -	+934,914(4)	934,914
Total limitation or estimate	20,000,000	25,290,000	+710,000	26,000,000

INCREASES AND DECREASES

The net increase of \$710,000 in this item for 1956 consists of the following:

(1) A decrease of \$416,914 for the price support program:

This decrease is the result of several factors which are as follows:

A. A decrease of \$763,045 resulting from a decrease in the estimated fiscal year 1956 program volume compared with the fiscal year 1955. The over-all volume of price support commodities is estimated to be somewhat lower than for the current fiscal year. This decrease is due primarily to an estimated decrease in wheat and cotton loans resulting from an estimated lower production of these commodities and an anticipated decrease in the acquisition of wheat, corn and dairy products.

It is estimated that the quantity of wheat placed under loan will decrease from 400,000,000 bushels in the fiscal year 1955 to 300,000,000 bushels in the fiscal year 1956; cotton placed under loan is estimated to decrease from 2,525,000 bales to 2,025,000 bales. Acquisitions of wheat are estimated to decrease from 362,400,000 bushels in the fiscal year 1955 to 145,000,000 bushels in 1956; corn acquisitions are estimated to decrease from 367,000,000 bushels in 1955 to 210,000,000 bushels in 1956; the acquisitions of dairy products are expected to decrease from 1,216,023,000 lbs. to 835,000,000 lbs. Partially offsetting these and other decreases is the estimated increase in the acquisition of cotton from 1,675,000 bales in the fiscal year 1955 to 4,050,650 bales in the fiscal year 1956 (from the 1953 crop loans which were extended).

- B. An increase of \$97,500 for increased audit and compliance and investigation activities. Chronologically, audit, compliance and investigation work, by their very nature tend to follow behind fluctuations in current program volume. As a result of the heavy volume of price support commodity operations during the fiscal year 1954 and the anticipated heavy volume estimated for the fiscal years 1955 and 1956, it will become necessary to step-up the audit and compliance and investigation activities of the Corporation in order to protect the Government's investment and insure compliance with existing laws and regulations. The following tabulation reflects the price support inventories and disposals in recent years:

	<u>1953</u>	<u>1954</u>	<u>1955</u> <u>(estimated)</u>	<u>1956</u> <u>(estimated)</u>
	(Billion dollars)			
Inventories as of June 30	\$2.3	\$3.7	\$4.6	\$4.5
Disposals during the year .....	.5	1.4	2.1	2.4

- C. Increase of \$92,500 for legal and other services. The heavy increase in the price support operations of the Corporation during the past few years has resulted in increased legal work for the Office of the Solicitor and an increase in the number of audits conducted by the General Accounting Office. In order to adequately reimburse these offices for these services it will be necessary to increase the amount transferred to the Office of the Solicitor by \$75,000 (as discussed in more detail in the justifications for the Office of the Solicitor) and the General Accounting Office by \$17,500.

- D. Increase of \$156,131 to place the cost of administering the Special School milk Program on a full year basis. The Agricultural Act of 1954 authorized the Corporation to use not to exceed \$50,000,000 of its funds to support dairy prices by providing for increased fluid milk consumption by children in nonprofit schools. This Special School Milk Program was not started until after the beginning of the fiscal year 1955. The Agricultural Marketing Service is carrying out this program and estimates that an additional \$65,000 will be required to operate the program on a full year basis during the fiscal year 1956.

Other activities, particularly in the accounting field, which were strengthened during the fiscal year 1955 to meet increased program volume and to eliminate backlogs, must be financed on a full year's basis during the fiscal year 1956 at an estimated increased cost of \$91,131.

- (2) An increase of \$92,000 for the Storage Facilities Program:
This increase is made up of the following:

- A. An increase of \$62,000 for work placed on a full year basis. Subsequent to the beginning of the fiscal year 1955 steps were taken to strengthen the supervision and administration of CCC Grain Storage Structure Program by State Agricultural Stabilization and Conservation

Offices in an attempt to overcome existing inadequacies in the operation of the program. Such steps are considered absolutely essential in view of the enormous amount of grain and bin capacity now owned by the Corporation. The bin capacity presently owned is 844 million bushels, an increase of 302 million bushels over that owned at the beginning of the fiscal year 1954.

B. An increase of \$30,000 for increased audit activity. The shortage of grain storage space and the Corporation's policy of encouraging the building of additional storage facilities through private investment has resulted in increased activity in regard to Storage Use Agreements during the past two years. Capacity covered by such contracts has increased from 26 million bushels at the beginning of the fiscal year 1954 to an estimated 250 million bushels as of June 30, 1955. In order to assure that firms entering into these agreements have abided by the terms of the agreement, it will be necessary for the Corporation to perform audits of these firms.

(3) An increase of \$100,000 for the Commodity Export Program:

This increase is necessary to place on a full year's basis work begun in the fiscal year 1955 in connection with export activities incident to the disposal of surplus agricultural commodities pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954. In carrying out the provisions of this act, which authorizes the sale of surplus commodities for foreign currency, there are various types of documentation required which are peculiar to international trade and are in addition to the normal transactions of the Corporation. Illustrative of some of the additional types of documents involved in sales for foreign currencies are authorizations to purchase, applications and letters of commitment, letters of credit, advice of financial arrangements, advice of payment under letters of credit, and numerous others. The proposed increase is required to enable the Corporation to process these documents and settle contracts with the exporters expeditiously, thereby avoiding any undue loss to the exporters.

(4) Provision for a Contingency Reserve of \$934,914:

The administrative expense requirements of the Commodity Credit Corporation fluctuate with the volume of loans made and repaid and commodities acquired and disposed of. Since changes in the volume of loan and inventory operations are, to a large extent, unpredictable, it necessarily follows that administrative requirements are also to a large extent unpredictable. Although the relationship between a specific program volume and the requirements for administrative expense can be established with a high degree of certainty, it must be recognized that the estimates of loan and inventory operations for the fiscal year 1956, which form the basis for the estimate of administrative expenses included in the 1956 budget, are highly tentative. This is due to the fact that Budget Estimates are prepared at a time when crops have not been harvested and in most cases not even planted. In addition, other factors such as weather, the volume of agricultural production in foreign countries, changes in world and domestic economic conditions and unusual circumstances affecting the demand for individual commodities, all have an influence upon the estimates of program volume and are highly unpredictable.

For the fiscal year 1956 there is an added factor to increase the unpredictability of estimates of program volume. This factor relates to the assumption that acreage allotments and marketing quotas will be in effect for the 1955 crops of peanuts, certain kinds of tobacco, wheat and cotton and that acreage allotments will be in effect for the 1955 crops of corn and rice. The downward effect that acreage allotments should have on the production of these commodities has been taken into consideration. However, it is quite possible that acreage allotments may not succeed fully in reducing production to the level upon which these estimates are predicated.

These estimates are also predicated upon the assumption that yields will be in line with recent averages in spite of the fact that the yield per acre planted has increased steadily over the past few years. This is the result of better farming practices and improvements in seeds, insecticides, machinery, etc. In addition, producers may use more fertilizer and insecticides and devote their best lands to the production of those crops upon which acreage allotments have been placed and thereby obtain still higher yields. Thus, even with acreage allotments, yields may exceed current production estimates and result in a larger quantity of commodities entering support programs.

Beside the fact that the program volume, and consequently the administrative workload volume of the Corporation is unpredictable, by nature the workload is of the type that cannot be curtailed and should not be postponed. This workload is comprised of day-to-day business-type transactions which cannot be deferred without losses to producers, damage to the public interest, losses to private trade, confusion and ultimately, increased operating costs.

In order to provide the administrative flexibility necessary to meet these unpredictable factors and avoid the necessity of submitting time consuming supplemental requests for funds, it is proposed that \$934,914 be placed in a reserve for contingencies, with provision that the difference between the currently estimated need and the authorization requested be available for use only on approval by the Bureau of the Budget. This will also permit the Budget Bureau and the Congress to approve a limitation based upon a specific program volume, this volume being the bench-mark from which use of the reserve could be measured. As has occurred in the past when it becomes apparent that the previously estimated program will not materialize, the Corporation requests the Budget Bureau to increase the reserve by the amount of unneeded funds.

FUNCTIONAL BUDGET STATEMENT

Function	1954	1955 (estimated)	1956 (estimated)
1. Program Formulation and Direction	\$2,227,288	\$2,837,966	\$3,029,896
2. Fiscal, Transportation and Warehousing Services	1,097,460	1,296,227	1,322,837
3. Audit, Compliance and Investigation Services	1,183,017	1,376,575	1,528,763

Function	1954	1955 (estimated)	1956 (estimated)
4. Program Field Operations	14,536,622	19,073,438	18,385,296
Add: Transfers to Cooperating			
Agencies	705,794	705,794	798,294
Contingency Reserve or Unobli-			
gated Balance	249,819	- -	934,914
Total Limitation	20,000,000	25,290,000	26,000,000

Function 1. Program Formulation and Direction.

This function includes formulating the programs and program policies; developing the operating provisions of the various programs; providing for the dissemination of these provisions to producers and segments of industry involved; and determining and facilitating the means for storing, managing and disposing of commodities acquired as a result of price support operations. These operations are performed by the Board of Directors, the Advisory Board, the Administrator of Commodity Stabilization Service, and the CSS Commodity Divisions, and include continuous economic, analytical and other related work required on announced programs, and on related commodities.

The Agricultural Act of 1949, as amended, provides mandatory price support for the six basic commodities - corn, cotton, wheat, rice, peanuts and tobacco - and for the specific nonbasic commodities - wool, mohair, tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Price support for other commodities is discretionary. The level of support for designated nonbasic commodities and the need for the program as well as the level of support for other commodities must be predicated upon economic factors set forth in the Act. The impact of these programs upon the national economy must be carefully considered. It is necessary to make these analyses not only on those commodities involved in price support programs but also to keep under constant surveillance the whole area of competing and substitute commodities in order to assure that price support operations will not disadvantageously affect the prices and marketing of such competing or substitute commodities. (Actual operations in the field are carried out through the Commodity Stabilization Service Commodity Offices, and the Agricultural Stabilization and Conservation State and County Offices. See Function 4.) The increase in the estimated cost of this function results primarily from increased costs for the Special School Milk Program.

Function 2. Fiscal, Transportation and Warehousing Services.

These services include (1) determining over-all fiscal, accounting and price policy, (2) determining over-all policy for custody, transportation and warehousing, and (3) assisting in the formulation of claims policies and procedures which insure the protection of the interests of the Corporation in the settlement of claims. Included also is the technical supervision of these functions and the maintenance of the over-all books and accounts of the Corporation.

These functions are performed by the Fiscal and Transportation and Warehousing Divisions, and, in addition to providing operational data for the everyday management and conduct of the business, they enable the Corporation to comply with the multitude of prescribed fiscal, transportation and property accountability laws and regulations. The increase in the estimated cost of this function results partly from the special accounting activities for new operations (agricultural trade development and assistance, famine relief and other assistance, etc.) begun in the fiscal year 1955 and estimated on a full year basis for the fiscal year 1956.

Function 3. Audit, Compliance, and Investigation Services.

These services determine whether the funds of the Corporation have been properly accounted for and its affairs properly administered, detect fraud or program violations and assist in criminal or civil litigation.

In addition to specific recoveries to the government resulting from fines, penalties, disallowed claims and collection of loans, this work has resulted in incalculable benefits derived from the factor of deterrence brought about through general knowledge that audits and investigations are being conducted. The increase in the estimated cost for this function results from the increased audit and investigation activities as previously justified.

Function 4. Program Field Operations.

Programs are carried out in the field primarily through eight Commodity Stabilization Service Commodity Offices and 48 State Agricultural Stabilization and Conservation Offices. Their functional operations apply to accounting for loans, inventories and costs, and the storage, management and disposition of inventories of all commodities.

The amounts required by the CSS Commodity Offices during the fiscal years 1955 and 1956 were determined in the same manner as for previous budgetary submissions. The operating budgets for these offices for the current fiscal year have also been prepared in this manner. The method used is based upon the monthly "Work Status Report". This report reflects the actual number of documents (freight bills, loading orders, notes, etc.) processed and the actual man-days required for such processing for each office. The estimated program volume to be handled by each office was converted into the number of documents to be processed during each fiscal year. On the basis of experience as reflected in the "Work Status Report", the productivity rates expected to be attained were applied to the documents to be processed to determine the man-days required. This covered all of the expenses of these offices, except funds used for fixed operating costs such as supervisory personnel and costs other than personal services which were estimated on the basis of past experience. The end of the fiscal year 1954 marked the third complete fiscal year of operating with the "Work Status Report". It also marked the second year of increased productivity as measured by the Work Status Report. It should be pointed out that the productivity rates reflected in the operating budgets for the CSS Commodity Offices for 1955 and the

Budget Estimates for the fiscal years 1955 and 1956 are approximately percent higher than actually attained during the fiscal year 1954.

The amount of funds required for program field operations is directly related to the volume of program operations. The attached Table 1 reflects the volume of program operations for the fiscal years 1955 and 1956 and Table 2 reflects the volume in terms of man-years and financial requirements for program field operations.

As shown in Table 1 the estimated workload for the CSS Commodity Offices for the fiscal year 1956 is less than for the fiscal year 1955. This is primarily due to decreased loans on wheat and cotton. Although carlot sales of commodities other than cotton are estimated to be slightly higher in the fiscal year 1956, carlot acquisitions of these commodities are estimated to be 38 percent below the volume estimated for the fiscal year 1955. However, this decrease in workload is partially offset by the anticipated large increase in the forfeiture of cotton loan collateral and cotton sales.

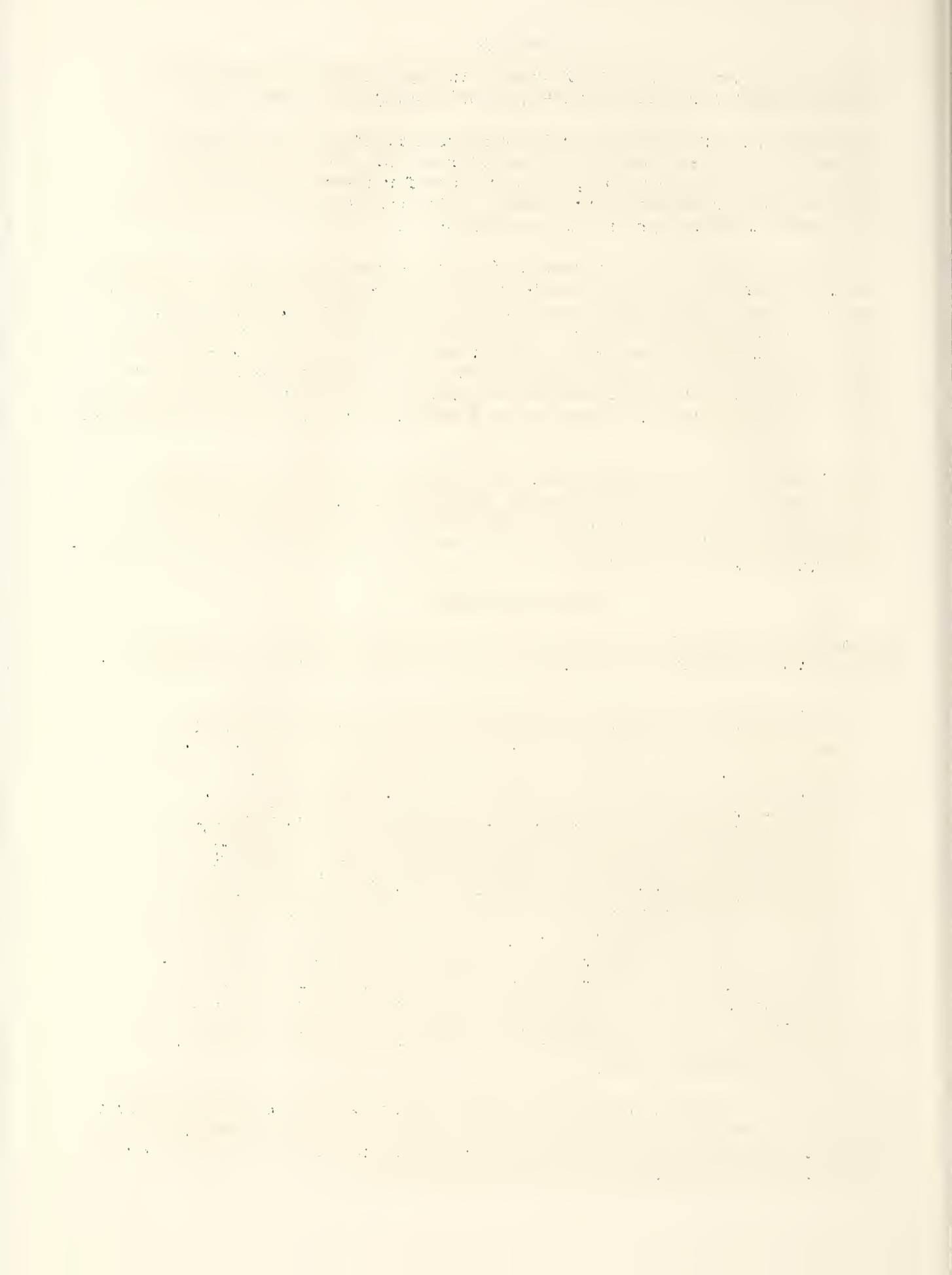
The decrease in the estimated cost of this function is also partially offset as a result of strengthening the supervision and administration of the CCC Grain Storage Structure Program at the State Office level during the fiscal year 1955, which will be continued on a full year basis during the fiscal year 1956.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item, as follows (new language underscored; deleted matter enclosed in brackets):

Commodity Credit Corporation: Nothing in the Act shall be so construed as to prevent the Commodity Credit Corporation from carrying out any activity or any program authorized by law: Provided, That not to exceed [\$18,000,000] \$26,000,000 shall be available for administrative expenses of the Corporation: Provided further, That \$934,914 of this authorization shall be placed in reserve to be apportioned pursuant to Section 3679 of the Revised Statutes, as amended, for use only in such amounts and at such times as may become necessary to carry out program operations: Provided further, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof.

The change in language proposes the establishment of a contingency reserve in order to provide the Corporation with the administrative flexibility necessary to meet the many unpredictable factors inherent in its operations as explained in more detail in these justifications.



		All Commodities Except:		Cotton	
		Cotton	(Carlots)	(000's bales)	
		1955	1956	1955	1956
I. LOAN ACTIVITY					
A.	Loans Made	524,556	513,088	2,525	2,025
B.	Loans Repaid	156,131	226,928	3,015	1,905
C.	Loans Forfeited:				
1.	Warehouse Stored	187,159	116,049	1,675	4,051
2.	Farm Stored	292,736	181,512	-	-
II. INVENTORY MANAGEMENT					
A.	On Hand Beginning of Fiscal Year	753,315	979,583	132	1,480
B.	Additions:				
1.	Purchases	81,061	49,110	-	-
2.	Purchase Agreement Deliveries	69,218	24,578	-	-
3.	Forfeiture of Collateral	479,895	297,561	1,675	4,051
4.	Exchanges	15,000	15,000	-	-
5.	Transfers	45,000	45,000	-	-
	Total, Additions	690,174	431,249	1,675	4,051
C.	Dispositions:				
1.	Sales or Donations	403,906	406,319	327	2,490
2.	Exchanges	15,000	15,000	-	-
3.	Transfers	45,000	45,000	-	-
	Total, Dispositions	463,906	466,319	327	2,490
D.	On Hand End of Fiscal Year	979,583	944,513	1,480	3,041
E.	Reconcentrations	384,000	348,800	1,500	1,000

Table 2
Page 1

Estimated Workload, Man-Year Requirements and Costs, Fiscal Years 1955 and 1956

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Estimated Workload, Man-Year Requirements and Costs, Fiscal Years 1955 and 1956

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Production Rate per Man-Year	Fiscal Year	1955	Fiscal Year	1956
				Number of Units to be Processed	Man-Years Required	Number of Units to be Processed	Man-Years Required
III. PROMCER TRANSACTIONS							
26	A. Loan Making	Note	15.477	1,168,019	79.5	940,142	60.7
27	1. Centralized Loans	Schedule	8,691	199,337	22.9	143,973	16.6
28	2. De-centralized Loans	Invoice	1,644	15,669	9.5	15,669	9.5
29	3. Servicing Agents' Fees	Cash Item per Note	27,509	1,148,903	41.8	737,619	26.8
30	1. By Repayment	Schedule	7,386	70,669	9.6	102,716	13.9
31	a. Centralized Loans	CL-7 or CL-8	15,321	573,992	37.5	355,906	23.2
32	b. De-centralized Loans	Note or Bale	41,404	2,090,909	50.5	4,308,887	81.5*
33	2. By Acquisition of Collateral	Card	68,643	534,740	7.8	331,569	4.8
34	a. Farm Stored	Note or Bale	72,573	1,683,705	23.2	4,056,398	47.3*
35	b. Warehouse Stored	CP-4	13,415	111,642	8.3	39,642	3.0
36	1. Collateral Acquisitions	Prod. Settlement Statement	5,220	30,000	5.7	20,000	3.8
37	(1) Collateral Acquisitions	Bale	37,506	1,500,000	40.0	1,000,000	26.7
38	(2) Pre-Recordation of Coll.	Invoice					
39	(3) Equity Payments	FP-6					
40	C. Purchase Agreement Deliveries	Invoice					
41	D. Settlement with Producers on Cotton Claims	Claim Document	809	38,014	47.0	38,014	47.0
42	E. Allocation of Charges and Credits to Cotton Loans	Claim Document	1,357	38,014	28.0	38,014	28.0
43	1. International Wheat Agreement	x x x	-	-	59.2	-	59.2
44	2. Payments to Schools	- Paid Freight Bill	16,939	160,583	9.5	148,106	8.7
45	3. Collection Activities	Block	6,995	995,683	132.3	887,660	118.3
46	Internal Post-Audit of Payments to Carriers	x x x	-	-	180.2	-	161.1
47	A. ACCOUNTING ACTIVITIES	x x x	-	-	39.9	-	39.9
48	1. Ledger Posting	x x x	-	-	8.8	-	8.8
49	2. Maintenance of Commodity Cost Records	Cash Item	23,777	360,988	15.2	276,776	11.6
50	3. Cash Receipts	x x x	-	-	77.9	-	77.9
51	4. Reconciliation	Report	600	18,614	31.0	18,614	31.0
52	1. BY REPORTING	Report	131	651	5.0	651	5.0
53	A. Policy and Procedures						
54	B. Special Reports						
55	* Weighted for Cotton activity.						

PROGRAM FIELD OPERATIONS

Estimated Workload, Man-Year Requirements and Costs, Fiscal Years 1955 and 1956

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Production Rate per Man-Year	Fiscal Year		Fiscal Year	
				Number of Units to be Pro- cessed	Man-Years Required	Number of Units to be Pro- cessed	Man-Years Required
VII. MISCELLANEOUS ACTIVITIES							
53	Operational Assistance in the Field		-	-	4.4	-	4.4
54	Cotton Pool Distribution	Note			3	-	6.8
55	Regional Attorney Requests	xxxxx			8.0	-	8.0
56	Criminal Court Proceedings	xxxxx			1	-	1
57	Emergency Grain Storage	Ship Hold	522	17,597	33.7	17,597	33.7
58	Allocation of Cotton Storage Charges	Bale	120,000	3,986,000	33.2	-	-
59	Title I - P.L. 480	xxxxx	-	-	21.0	-	42.0
	Abnormal Backlog Carryover	xxxxx	-	-	34.2	-	-
	Total Program Direct Labor				2746.5		2,589.2
Administrative Activities							
I.	Personnel				20.8		20.8
II.	Budget, Organization & Procedure				33.9		33.9
III.	Mail & Messenger				38.7		38.7
IV.	Other Administrative Activities				100.0		100.0
V.	Administrative Reporting				6.5		6.5
	Total Administrative Direct Labor				199.9		199.9
	Total Direct Labor - Less Leave				2,946.4		2,789.1
	Leave, Direct Labor				427.2		404.4
	Total Direct Labor				3,373.6		3,193.5
	Indirect Labor				170.0		170.0
	Total Labor				3,543.6		3,363.5
	Average Salary			Cost \$ 3,723		Cost \$ 3,730	
	Total Labor			13,192,987	3,543.6	12,546,788	3,363.5
	Less: Man-Year Equivalent in Overtime			-	-120.0	-	-75.0
	Net Labor			13,192,987	3,423.6	12,546,788	3,288.5
	Objects 02 - 15			2,698,711	-	2,604,721	-
	Total Commodity Office Operations			15,891,698	3,423.6	15,151,509	3,288.5
	State Office Operations			2,571,568	434.1	2,633,556	445.6
	General Services			610,172	89.6	600,231	88.0
	Total Program Field Operations			\$19,073,438	3,947.3	\$18,385,566	3,422.1

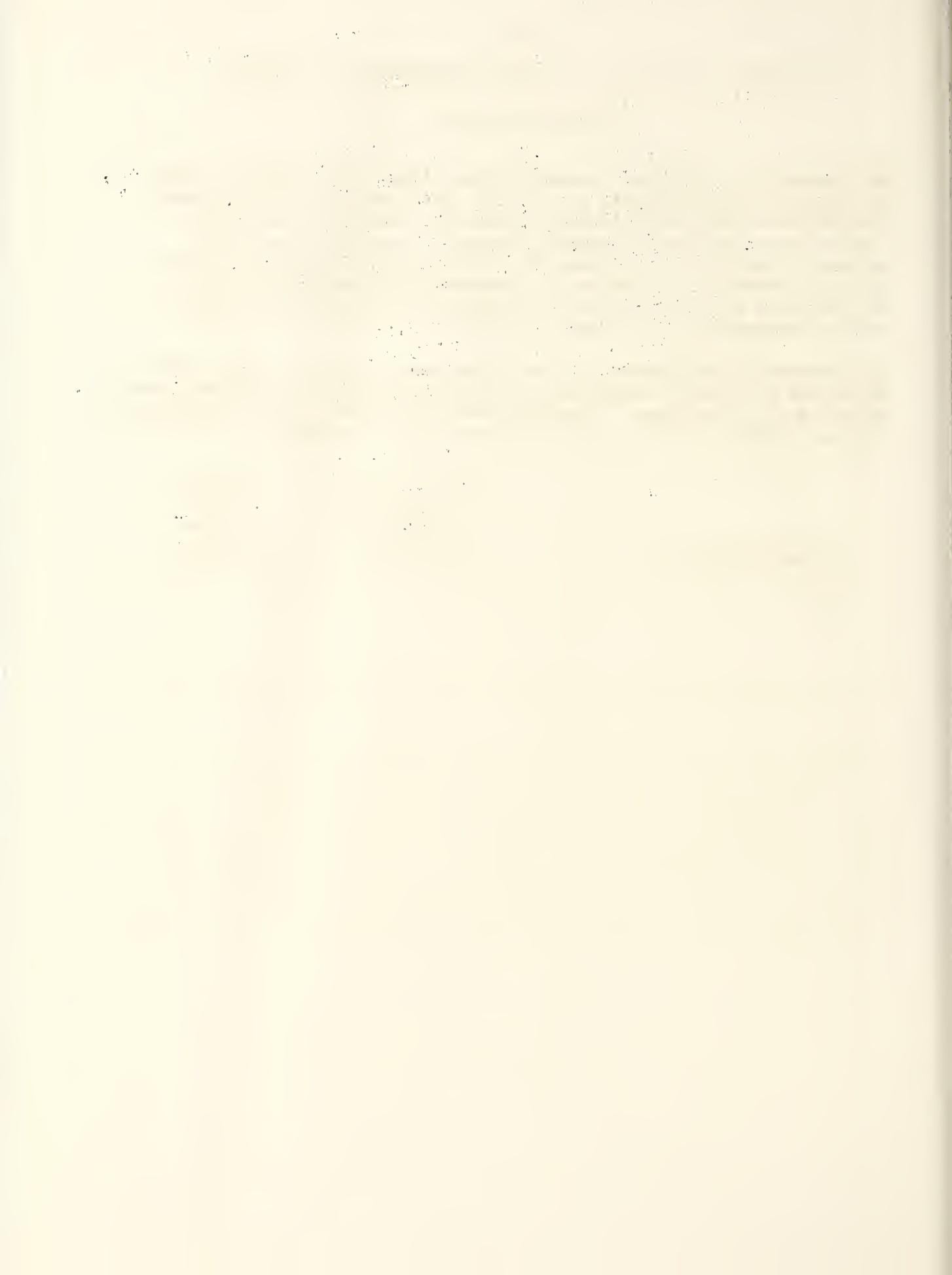
RESEARCH ON STRATEGIC AND CRITICAL AGRICULTURAL MATERIALS

Purpose Statement

The Strategic and Critical Materials Stock Piling Act of July 23, 1946, in section 7 (b), authorizes and directs the Department of Agriculture to make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or substitutes for such materials determined by the Office of Defense Mobilization to be strategic and critical. This appropriation is for the purpose of enabling the Department to carry out its responsibilities under that Act.

This program is administered by the Agricultural Research Administrator. The Office of Defense Mobilization, however, recommends or approves investigations to be undertaken. Investigations are at present being conducted on tannin, vegetable fats and oils, and materials for cordage.

	Appropriated, 1955	Budget Estimate, 1956
Appropriated Funds	\$331,500	\$300,000



RESEARCH ON STRATEGIC AND CRITICAL AGRICULTURAL MATERIALS

Appropriation Act, 1955 and base for 1956	\$331,500
Budget Estimate, 1956	<u>300,000</u>
Decrease (due to anticipated completion of certain phases of investigations with vegetable tannins)	<u>-31,500</u>

PROJECT STATEMENT

	1954	1955 (estimated)	Decrease	1956 (estimated)
1. Research on domestic produc- tion of natural rubber	\$107,498	- -	- -	- -
2. Investigations of domestic production of vegetable tannins	103,570	104,000	-31,500(1)	\$72,500
3. Investigations on vegetable fats and oils	114,029	116,000	- -	116,000
4. Investigations on fiber plants	111,041	111,500	- -	111,500
Unobligated balance	3,362	- -	- -	- -
Total appropriation or estimate	429,500	331,500	-31,500	300,000

DECREASE

(1) A decrease of \$31,500 due to anticipated completion of certain phases of investigations with vegetable tannins

For fiscal year 1955, utilization studies on certain phases of investigations with vegetable tannins, including production of 10 tons of tannin for use in experimental tanning studies, will cost \$56,000. It is anticipated that the tannin production objective will be attained by July 1, 1955. In conducting this work, however, it became apparent that certain additional research data would be needed to formulate a commercially feasible process in view of processing difficulties experienced with roots of the new, high-tannin varieties of canaigre being provided by the Field Crops Research Branch. It is estimated that \$24,500 will be required for fiscal year 1956 for this phase of the research, a reduction of \$31,500 from funds available in 1955.

STATUS OF PROGRAM

This appropriation enables the Department of Agriculture to carry out its responsibilities under the Strategic and Critical Materials Stock Piling Act of July 23, 1946. This Act authorizes and directs the Department to make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or substitutes for such materials determined by the Office of Defense Mobilization to be strategic and critical. Investigations are undertaken only upon recommendation of the Office of Defense Mobilization.

Current activities include research on domestic production of tannin, strategic oils, and fiber plants, as follows:

1. Tannin investigations are devoted to the possible production of tanning materials from crops that can be produced in the United States, especially from canaigre, a desert crop grown in the Southwestern United States. Experimental plantings have been established in Arizona, New Mexico, and Texas. Production problems encountered in growing this crop on a semi-commercial scale are being studied. A pilot plant has been designed and installed for preparation of the canaigre tanning extract on a scale large enough to permit commercial evaluation by its use in the production of experimental lots of heavy leather.
2. Current work on strategic oils is devoted to problems encountered in the expansion of castor bean production into new areas to meet the increased demands for castor oil and to the development of superior varieties adapted to growing and mechanical handling in new areas of production.
3. Studies in the field of strategic cordage are directed toward problems encountered in developing the domestic production of hard fibers and hard fiber substitutes (sansevieria, phormium, and hemp) that can be used for such purposes as lines and ropes on naval vessels, and of kenaf, a soft fiber with qualities similar to jute. Agronomic research is conducted on breeding, disease, and quality problems, and engineering research on the development of improved planting, harvesting and handling equipment.

Selected Examples of Recent Progress

1. Research on domestic rubber production. Production research on natural rubber-bearing plants, particularly on the development of improved strains of guayule, was discontinued at the close of fiscal year 1954. The research was initiated under this appropriation in fiscal year 1948, and has resulted in the development and testing of new guayule selections that yield 25 to 50 percent more rubber than the best strains available during World War II. New germ plasm has been isolated for possible use in a future breeding program. It has the potential of contributing still higher yields of rubber and greater disease resistance.

In order to preserve as much as possible of the production research results to date, the most desirable strains of guayule developed in the breeding program were established in standby plantings, which will be maintained under the appropriation "Salaries and Expenses, Agricultural Research Service." Small standby plots for preserving the plant material were established at the Winter Haven Substation of the Texas Agricultural Experiment Station and at the Federal station at Salinas, California. The present stockpile of guayule seed of approximately 17,000 pounds will also be preserved in the standby program. The seed will be tested periodically for viability and moisture content, and recommendations relative to its storage will be made to GSA Emergency Procurement Services.

2. Tannin investigations. This research is concerned with the production of canaigre as a source of tannin and with full-scale tannery evaluation of the tannin produced from canaigre roots. To obtain improved selections with high tannin content, more than 100 types of canaigre from wild collections were grown at Mesa, Arizona, and evaluated in a four year program. Tannin content ranged from 23% to 42%, and similar wide variations occurred in other plant characteristics. One strain of canaigre, named Salt River, has been found outstanding. It has a desirable root shape, satisfactory yield, and good disease resistance. It is superior for processing because of good leachability and high tannin purity. This new strain is being increased to replace the common strains now grown for tannin. In 1954, 16 tons of this strain were available for processing. It had about 36% tannin of 63% purity as compared to 28% tannin of 60% purity for previous bulk lots.

A canaigre harvester has been developed and used successfully to harvest approximately 150 tons of roots in 1953 and 200 tons in 1954. Altogether, about 600 tons of roots have been shredded and dried since the first harvest in 1951 and made available for experimental processing and tannin evaluation studies. Canaigre tannin sufficient for full-scale tannery evaluation is being prepared from the roots and it is expected that the goal of 10 tons of extract required for evaluation purposes will be available by December 31, 1955. The evaluation will be made in cooperation with the Quartermaster Corps.

3. Castor bean production. Because of the favorable performance of hybrid castorbeans in experimental and commercial plantings since 1952, research work has emphasized the development of improved hybrids. The finding of two breeding lines, USDA 49 and Brazilian 330 crossed with Nebraska 145-4, which produce completely pistillate (female) flowers opens the way for cutting the cost of hybrid seed production by about half, since the hand labor formerly required for roguing (equivalent to detasseling in hybrid-corn production) will be greatly reduced.

A new disease of castorbeans, bacterial leaf spot, was first reported in 1952. In 1953 it caused losses estimated as high as

50 percent in parts of Oklahoma and Texas. The widely grown Conner variety, tracing to the female line Nebraska 145-4, proved to be extremely susceptible. Other commercial varieties and many breeding lines have also shown moderate to high susceptibility. The Cimmaron variety, however, was found to have considerable resistance to this disease. It is now being used in the breeding program to develop resistant varieties and hybrids. Search is also being made for additional sources of resistant germ plasm.

A compact huller-cleaner was developed which could be mounted into the castorbean harvester. Combining the hulling and harvesting operations in one machine reduces costs and permits the spreading of castorbean hulls, which have appreciable plant food value, back on the land.

4. Investigations of fiber plants. Research on the production of Sansevieria, one of the few hard fibers that can be produced in the United States as a substitute for abaca (Manila hemp), has developed some new hybrid varieties and selections, which give significantly higher yields. Fertilizer research has shown that, on the sandy soils of south Florida, increasing applications up to 1,000 to 1,200 pounds per year of a complete fertilizer gives progressively higher yields and results in plants of greater cold tolerance. To provide an adequate supply of Sansevieria for study of production, harvesting, and decorticating machinery problems and costs of production, arrangements have been made for the use of 50 acres of State-owned land in south Florida. The land has been cleared, drainage and irrigation facilities have been installed, and 10 acres have been planted. Additional plantings of 10 acres each will be made over a four-year period.

Selections of kenaf have been found that are resistant to anthracnose blight, which has caused serious losses to commercial production. Seed stocks of the resistant selections are being increased for release for commercial production.



REPAYMENT TO COMMODITY CREDIT CORPORATION FOR ERADICATION OF
FOOT-AND-MOUTH AND OTHER CONTAGIOUS DISEASES OF ANIMALS
AND POULTRY, AGRICULTURAL RESEARCH SERVICE

PURPOSE STATEMENT

The purpose of this request is to provide funds to reimburse the Commodity Credit Corporation for advances made and other costs incurred in fiscal year 1954 for emergency livestock disease eradication activities administered by the Agricultural Research Service pursuant to authority contained in the Department of Agriculture Appropriation Act, 1954. Since fiscal year 1948, the agricultural appropriation acts have included an authorization which provides that, when emergency outbreaks of diseases threaten the livestock or poultry industry, the Secretary may transfer to the appropriation "Foot-and-mouth and other contagious diseases of animals and poultry" such sums as he may deem necessary from appropriations or funds available to other bureaus, corporations or agencies of the Department. This authorization covers not only outbreaks of diseases in this country but cooperation with the Government of Mexico in the eradication of foot-and-mouth disease and rinderpest and authorization of such protective measures as are necessary to prevent introduction or spread of the disease in this country.

Transfers to finance foot-and-mouth disease eradication and preventive measures in connection with outbreaks of the disease which have occurred in Mexico and Canada since fiscal year 1948 have been made from Commodity Credit Corporation funds. Subsequently Congress has provided for repayment of such transfers.

In fiscal year 1955 it is anticipated that the activities in connection with the May 23, 1953 outbreak of foot-and-mouth disease in Mexico will be concluded, since Mexico was declared free of the disease December 31, 1954.

	Appropriated, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated Funds	<u>1/</u> - -	<u>2/</u> \$5,788,897

1/ Cancellation of notes in the amount of \$2,064,060 was authorized in Public Law 295, approved February 12, 1954, to cover repayment of expenses incurred in fiscal year 1953.

2/ Covers expenses incurred in fiscal year 1954.

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY

RESEARCH REPORT

The following report was prepared by the author in connection with the research program of the Division of the Physical Sciences, Department of Chemistry, University of Chicago, under the leadership of Professor [Name]. The work was supported by the National Science Foundation, Grant No. [Number].

The author wishes to express his appreciation to Professor [Name] for his guidance and advice throughout the course of this work. He also wishes to thank the following individuals for their assistance and cooperation: [Names].

CHICAGO, ILLINOIS

DATE: [Date]

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY
5700 S. DICKINSON DRIVE
CHICAGO, ILLINOIS 60637

REPAYMENT TO COMMODITY CREDIT CORPORATION FOR ERADICATION OF
FOOT-AND-MOUTH AND OTHER CONTAGIOUS DISEASES OF ANIMALS
AND POULTRY, AGRICULTURAL RESEARCH SERVICE

Appropriation Act, 1955 (fiscal year 1953 program), and base for 1956	
Budget Estimate, 1956 (fiscal year 1954 program)	\$5,788,897
Increase (to reimburse Commodity Credit Corporation for costs incurred during fiscal year 1954)	<u>+5,788,897</u>

PROJECT STATEMENT

Project	1954	1955 (estimated)	1956 (estimated)
Reimbursement for costs incurred in prior fiscal years for eradication of foot-and-mouth and other contagious diseases of animals and poultry	- -	- -	\$5,788,897

INCREASE

An appropriation is requested to discharge indebtedness to Commodity Credit Corporation for funds transferred and expenses incurred during fiscal year 1954 (including interest thereon through June 30, 1955) in connection with the program for the eradication of foot-and-mouth disease in Mexico. These transfers were made pursuant to authority granted in the Department of Agriculture Appropriation Act, 1954.

Following the enactment of Public Law 8 approved February 28, 1947, the Department entered into a cooperative program with the Government of Mexico to eradicate an extensive outbreak of foot-and-mouth disease in that country. Because of the nature of the disease it was not possible to make accurate estimates of the cost of the program. Therefore, beginning with the fiscal year 1948 Congress authorized the transfer of funds to the appropriation item "Foot-and-mouth and other contagious diseases of animals and poultry", to finance the work. Transfers made from funds of the Commodity Credit Corporation have been repaid in prior years either by appropriations or authorization to cancel notes. A summary of appropriations and authorizations to cancel notes follows:

Source of Funds for Financing Program
Fiscal Years 1947 - 1953

Item	Appropriations	Cancellation: of Notes	Total
Department of Agriculture Appropriation Act, 1947, approved June 22, 1946	\$305,000:	- -	\$305,000
Public Law 22, approved March 27, 1947	9,000,000:	- -	9,000,000

Item	Appropriations	Cancellation: of Notes	Total
Second Urgent Deficiency Appropriation Act, 1947, approved June 27, 1947	1,500,000:	- -	1,500,000
Emergency Appropriation Act, approved July 3, 1947	5,000,000:	- -	5,000,000
Department of Agriculture Appropriation Act, approved July 30, 1947..	100,000:	- -	100,000
Second Deficiency Appropriation Act, 1948, approved June 25, 1948	1/ 25,400,000:	- -	25,400,000
Third Deficiency Appropriation Act, 1949, approved October 10, 1949....	1/ 34,000,000:	- -	34,000,000
Department of Agriculture Appropriation Act, 1952 approved August 31, 1951	- -	\$32,700,000:	32,700,000
Department of Agriculture Appropriation Act, 1953 approved July 5, 1952	- -	11,240,532:	11,240,532
Department of Agriculture Appropriation Act, 1954 approved July 28, 1953	- -	7,057,575:	7,057,575
Public Law 295, approved February 12, 1954	- -	2,064,060:	2,064,060
Total appropriated funds and cancellation of notes	75,305,000:	53,062,167:	128,367,167

1/ Reimbursement to Commodity Credit Corporation.

The obligations under this program for fiscal year 1954, for which repayment is now requested, and a summary of the financing through the Commodity Credit Corporation follows:

EXPLANATION OF ESTIMATES

Eradication of Foot-and-Mouth Disease

Obligations, 1954

1. Cooperation with the Government of Mexico in the control, eradication and prevention of foot-and-mouth disease:
 - Payments made to the Mexican-United States commissions for the eradication and prevention of foot-and-mouth disease in Mexico\$3,520,236
 - Direct Federal expenses for program in Mexico 1,351,771
2. Mexican border inspection and quarantine 910,410

3. Interest:

Actual on advances made prior to June 30, 1954 .	119,822	
Amount provided by 1955 cancellation of notes for estimated interest from July 1, 1953 through June 30, 1954	-40,962	78,860
Total		<u>5,861,277</u>

Less:

Prior year adjustments in expenses incident to hand- ling of canned meat and meat products	+3,469	
Prior year balance available in 1954	-292,262	
1954 balance available in 1955	+159,845	
Total due June 30, 1954	5,732,329	
Estimated interest through June 30, 1955	56,568	
Total amount for reimbursement to Commodity Credit Corporation		<u>5,788,897</u>

SUMMARY OF COST OF FINANCING PROGRAM THROUGH COMMODITY CREDIT CORPORATION

Fiscal Years 1948 - 1954 with interest to June 30, 1955

Total transfers from Commodity Credit Corporation \$149,518,000

Expenses incurred:

Interest on funds transferred	\$2,278,179	
Expenses incident to handling of canned meat and meat products	3,314,335	5,592,514
Subtotal		<u>155,110,514</u>

Less:

Reimbursements:

By appropriations	59,400,000	
By cancellation of notes	53,062,167	
Receipts from sales of canned meat and meat products	36,803,723	
Reimbursements from Mexican packing plants for inspection services	112,295	149,378,185
Total due June 30, 1954		<u>5,732,329</u>
Estimated interest July 1, 1954 through June 30, 1955		56,568
Amount to be reimbursed to Commodity Credit Corporation		<u>5,788,897</u>

EXPLANATION OF NEW LANGUAGE

The estimates include proposed new language for this item as follows (new language underscored):

For reimbursement to Commodity Credit Corporation for sums transferred to the appropriation "Eradication of foot-and-mouth and other contagious diseases of animals and poultry", fiscal year 1954 (including interest thereon through June 30, 1955), pursuant to authority contained under such head in the Department of Agriculture Appropriation Act, 1954, \$5,788,897.

This proposed new item would provide an appropriation to reimburse the Commodity Credit Corporation for sums transferred and other expenses incurred for foot-and-mouth disease control and eradication activities during fiscal year 1954, including interest thereon through June 30, 1955.

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INTERNATIONAL WHEAT AGREEMENT

Purpose Statement

The purpose of the International Wheat Agreement is to accomplish stability in the world wheat trade. The agreement operates to assure needed supplies of wheat to importing countries and markets for wheat to exporting countries at equitable and stable prices, and thereby to eliminate critical shortages on the one hand and burdensome surpluses on the other.

The annual volume of world wheat trade presently covered by the wheat agreement is 389.4 million bushels of wheat, or wheat products expressed in terms of bushels of wheat. Of this total quantity, the United States guarantees to supply 193.7 million bushels during the 1954-55 crop year to participating nations, at a price not in excess of \$2.05 per bushel, Fort William-Port Arthur basis. Section 2 of the International Wheat Agreement Act of 1949 (Public Law 421, 81st Congress), as amended by Public Law 180, 83rd Congress, authorizes the President, "acting through the Commodity Credit Corporation, to make available or cause to be made available, * * * such quantities of wheat and wheat flour and at such prices as are necessary to exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement * * *". Section 2 of the Act also authorizes the appropriation of such sums as may be necessary to pay Commodity Credit Corporation for costs incurred in carrying out its functions under the statute, and authorizes the Corporation to utilize, in advance of such appropriations, any funds available to it to facilitate the discharge of its responsibilities under the Act.

	Supplemental Authorization, 1954 (1953 Costs)	Budget Estimate, 1956 (1954 Costs)
Authorization to the Secretary of the Treasury to cancel notes issued by Commodity Credit Corporation	\$129,553,795	- -
Proposed appropriation to discharge indebtedness of the Commodity Credit Corporation to the Secretary of the Treasury	- -	\$57,378,551

INTERNATIONAL WHEAT AGREEMENT

Appropriation Act, 1955	- -
Budget Estimate, 1956	\$57,378,551
Increase	<u>+57,378,551</u>

Note: Although an increase of \$57,378,551 is requested for this item in 1956 on a direct appropriation basis, there is actually a decrease of \$72,175,244 compared with the authorization contained in the Act of February 12, 1954 (Public Law 295), providing for cancellation of notes issued by the Commodity Credit Corporation to the Secretary of the Treasury.

PROJECT STATEMENT
(on a Program basis)

By Project or Function	Notes cancelled in 1954 :			Budget
	1952	1953 Program	Decreases	Estimate, 1956
	Program	(P. L. 295)		(1954 Program)
Program Costs	\$167,171,481	\$126,162,981	-\$70,018,430	\$56,144,551
Interest Costs	4,568,914	3,390,814	-2,156,814	1,234,000
Total	171,740,395	129,553,795	-72,175,244	57,378,551

DECREASES

Program Costs - The reduction of \$70,018,430 in program costs results from (a) a reduced volume of exports, from 223,703,898 bushels in the fiscal year 1953 to 118,025,100 bushels in the fiscal year 1954 and (b) a reduction in the spread between the domestic market price and the agreement price, from 56¢ per bushel in the fiscal year 1953 to 48¢ in the fiscal year 1954.

Interest Costs - A decrease of \$2,156,814 in interest costs results from (a) the substantial reduction in the fiscal year 1954 in the amount of funds required to finance program activities, and (b) a reduction in the rate of interest applicable against such funds, from 2% in fiscal year 1953 to 1% in fiscal year 1954. The latter rate was estimated to apply during the fiscal year 1955 against the amount due to Corporation as of June 30, 1954.

The following table reflects, by country of destination, the quantity of wheat and wheat flour exported from the United States during the fiscal year 1954 pursuant to the terms of the International Wheat Agreement, and the amount due Commodity Credit Corporation on such exports:

Recapitulation of Expenses Incurred by Commodity
Credit Corporation for Operations under International Wheat
Agreement, and Method of Reimbursement - Inception of Program Through
June 30, 1954

Fiscal Year	: Bushels : Exported : (thous.)	Expenses		: Method of Reimbursement to CCC
		: Per : Bu.	: Amount	
1950	: 135,187	: \$0.57	: \$76,868,900	: Appropriation - Agricultural Appro-
				: priation Act of 1952.
1951	: 265,779	: 0.69	: 182,162,250	: Cancellation of notes - Agricul-
				: tural Appropriation Act of 1953.
1952	: 254,778	: 0.67	: 171,740,395	: Cancellation of notes - Agricul-
				: tural Appropriation Act of 1954.
1953	: 223,704	: 0.58	: 129,553,795	: Cancellation of notes - Public
				: Law 295, approved February 12,
				: 1954.
1954	: 118,025	: 0.49	: 1/57,378,551	: Appropriation - Proposed in 1956
				: Budget.

1/ Includes interest through June 30, 1955.

1955 AND 1956 FISCAL YEAR PROGRAMS

It is estimated that 150 million bushels will be exported during each of the fiscal years 1955 and 1956 at a cost of \$186,861,530 in fiscal year 1955 and \$84,024,035 in fiscal year 1956. These cost figures include administrative expenses and interest to date of reimbursement to Commodity Credit Corporation. The estimates are based upon the assumption that sales will be made at approximately 30¢ below the maximum wheat agreement price in both years, and that there will be a reduction in the average domestic price of wheat from \$2.40 per bushel in fiscal year 1955 to \$2.25 per bushel in fiscal year 1956.

CHANGE IN LANGUAGE

The estimates include proposed new language for this item as follows (new language underscored):

To discharge indebtedness of the Commodity Credit Corporation to the Secretary of the Treasury for the net costs during the fiscal year 1954 (including interest thereon through June 30, 1955) under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), \$57,378,551.

The new language is proposed to give effect to: (1) Section 2 of the International Wheat Agreement Act of 1949 which authorizes the appropriation of "such sums as may be necessary to make payments to the Commodity Credit Corporation of its estimated or actual net costs hereunder,"; and (2) the Act of March 20, 1954 (Public Law 312, 83rd Congress) which requires that "such capital impairment (of Commodity Credit Corporation) shall be restored with appropriated funds as provided herein rather than through the cancellation of notes".

It is believed that the language of the statutes cited, particularly the latter, indicates that it is the intent of the Congress that the Corporation recover its costs for the International Wheat Agreement program through direct appropriation.

UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Stabilization Service
Wheat and Wheat Flour (bushel equivalent) Exported from the United States
Pursuant to the Terms of the International Wheat Agreement
Fiscal Year 1954

Importing Country	Source and Quantity of Exports (Bushels)			Amount Due CCC	Average Cost to CCC per Bushel
	CCC Price Support Program	Commercial	Total		
Austria		343,000	343,000	178,182	.52
Belgium		3,016,883	3,016,883	1,564,106	.52
Bolivia		523,989	523,989	249,016	.47
Brazil		204,539	204,539	65,839	.32
Costa Rica		571,232	571,232	334,368	.58
Cuba		4,753,793	4,753,793	2,619,753	.55
Dominican Republic		376,642	376,642	214,223	.57
Ecuador		392,921	392,921	195,082	.50
Egypt		1,104,010	1,104,010	325,648	.29
El Salvador		509,075	509,075	300,180	.59
Germany		21,659,493	21,659,493	10,027,537	.46
Greece	6,926,993	5,744,392	12,671,385	5,903,692	.46
Guatemala		523,319	523,319	293,628	.56
Haiti		789,122	789,122	449,250	.57
Honduras		231,630	231,630	124,497	.54
India		2,482,187	2,482,187	1,200,540	.48
Indonesia		894,898	894,898	575,240	.64
Iceland		98,053	98,053	55,497	.56
Korea		346,595	346,595	188,759	.54
Israel		726,400	726,400	330,576	.45
Italy		3,621,850	3,621,850	1,147,974	.32
Japan		16,709,497	16,709,497	7,067,673	.42
Lebanon		354,707	354,707	205,522	.58
Liberia		8,651	8,651	5,896	.68
Mexico		6,444,346	6,444,346	2,577,614	.40
Netherlands		8,451,163	8,451,163	4,765,471	.56
Nicaragua		202,942	202,942	105,417	.52
Norway		3,366,757	3,366,757	1,752,866	.52
Panama		97,439	97,439	55,550	.57
Peru		313,628	313,628	150,534	.48
Philippines		2,877,702	2,877,702	1,983,915	.69
Portugal		1,336,991	1,336,991	479,760	.36
Saudi Arabia		1,648,068	1,648,068	866,833	.52
Spain		10,459,426	10,459,426	4,382,555	.42
Vatican City		551,000	551,000	288,402	.52
Switzerland		93,333	93,333	61,600	.66
Union of South Africa	2,811,567		2,811,567	1,695,416	.60
Venezuela		2,615,976	2,615,976	1,506,419	.57
Yugoslavia	363,319	1,974,553	2,337,872	1,426,436	.61
United Kingdom		1,503,019	1,503,019	777,411	.52
Unidentified Collections				-605,522	-
Total	10,101,879	107,923,221	118,025,100	\$56,144,551 1/	.48
Interest Cost 2/	-	-	-	1,234,000	.01
GRAND TOTAL	10,101,879	107,923,221	118,025,100	\$57,378,551	.49

1/ Includes \$251,196 Administrative Expenses.

2/ Interest computed through June 30, 1955.

CCS-BD

1/31/55

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR
EMERGENCY FAMINE RELIEF TO FRIENDLY PEOPLES

Purpose Statement

The Act of August 7, 1953 (Public Law 216, 83rd Congress) directed the Commodity Credit Corporation to make its stocks of agricultural commodities available to the President for furnishing emergency assistance to friendly peoples in meeting famine or other urgent relief requirements. The Act also authorized an appropriation to reimburse the Corporation for its investment in such commodities including handling and the cost incurred in making deliveries.

	<u>Appropriated, 1955</u>	<u>Budget Estimate, 1956</u>
Appropriated funds	- -	\$9,676,628

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR
EMERGENCY FAMINE RELIEF TO FRIENDLY PEOPLES

Appropriation Act, 1955, and base for 1956	- -
Budget Estimate, 1956	\$9,676,628
Increase (Reimbursement to CCC for estimated costs during fiscal years 1954 and 1955)	<u>+9,676,628</u>

PROJECT STATEMENT

Project	: 1954	: 1955 (estimated)	: 1956 (estimated)
Reimbursement for commodities transferred to friendly peoples needing emergency famine relief	: : : - -	: : : - -	: : : \$9,676,628

INCREASE

The estimate of \$9,676,628 represents the Commodity Credit Corporation's investment in 3,131,180 bushels of wheat transferred from its stocks; handling, delivery f.o.b. vessels in U.S. ports, and estimated interest costs through June 30, 1955 for emergency famine relief to friendly peoples. The transfer of these wheat stocks was made pursuant to Public Law 216, 83rd Congress. In accordance with the authorization in that Act, this estimate is to reimburse the Corporation for the following items:

Commodity Cost	Bushels	Value	Unit Cost
Bolivia (Estimate)	2,688,000	\$8,166,923	\$3.04
Jordan	361,047	1,109,171	3.07
Libya	<u>82,133</u>	<u>249,190</u>	<u>3.03</u>
Total	3,131,180	9,525,284	3.04
Interest - Fiscal Year 1954		59,285	
Interest - Estimated for Fiscal Year 1955 through June 30		<u>92,059</u>	
Appropriation estimate, 1956		<u>9,676,628</u>	

EXPLANATION OF NEW LANGUAGE

The estimates propose new language as follows:

To reimburse the Commodity Credit Corporation for its investment
(including costs of handling, delivery and interest through June 30,
1955) in commodities disposed of under the Act of August 7, 1953
(67 Stat. 476), \$9,676,628.

The proposed new language would provide an appropriation to give effect to Section 2 of the Act of August 7, 1953 (Public Law 216, 83rd Congress) which

authorizes the appropriation of "such sums as are equal to the Corporation's investment in such commodities, including handling costs, plus the cost incurred in making deliveries hereunder", in order to reimburse the Commodity Credit Corporation for expenses incurred in connection with programs of emergency assistance to friendly peoples in meeting famine or other urgent relief requirements as authorized by the Act.

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION
FOR EMERGENCY FEED ASSISTANCE

Purpose Statement

Facilities and stocks of the Commodity Credit Corporation are authorized to be used for emergency assistance in furnishing feed and seed to farmers, ranchers and stockmen in connection with any major disaster determined by the President to warrant Federal assistance (Public Law 115, 83rd Congress). Drought conditions became so severe during the fall of 1953 that the President, under authority of Public Law 875, 81st Congress, directed that the feed stocks of the Corporation be furnished without reimbursement from presently appropriated funds. This directive also indicated that the Congress would be requested to take specific action for the purpose of reimbursing the Corporation for losses representing the difference between the value of the feed furnished and the sales price therefor received by the Corporation. This estimate would provide an appropriation to reimburse the Corporation for these losses.

	Appropriated, 1955	Budget Estimate, 1956
Appropriated funds	--	\$42,100,000

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION
FOR EMERGENCY FEED ASSISTANCE

Appropriation Act, 1955 and base for 1956	--
Budget Estimate, 1956	<u>\$42,100,000</u>
Increase (Reimbursement to CCC for estimated costs during fiscal years 1954 and 1955)	<u><u>\$42,100,000</u></u>

PROJECT STATEMENT

Project	: 1954 :	1955 :	1956 :
	: (estimated) :	(estimated) :	(estimated) :
Reimbursement for net cost of	:	:	:
commodities furnished by CCC	:	:	:
under the 1953 Emergency Feed	:	:	:
Program in Disaster Areas	:	:	:
(Estimated Obligations)	: -- :	-- :	: \$42,100,000

INCREASE

To help farmers and ranchers in drought-stricken areas maintain their foundation herds of beef and dairy cattle, sheep and goats, the Commodity Credit Corporation furnished, for direct distribution through County committees, feed grains and feed concentrates at prices well below market value. The program was initiated June 26, 1953 under an allocation from the President's Disaster Relief Fund. Public Law 115, approved July 14, 1953, authorized emergency assistance to farmers and stockmen, including authority for the Secretary of Agriculture to provide emergency assistance in furnishing feed and seed in connection with major disasters determined by the President pursuant to Public Law 875, 81st Congress. An appropriation of \$40,000,000 was provided by Public Law 175, approved July 31, 1953. A part of this appropriation was used to repay the allocation previously received from the President's Disaster Relief Fund. As the drought (Florida was declared a flood disaster area) increased in area and intensity and threatened a major segment of the agricultural economy, it became evident that the \$40,000,000 would be insufficient to cover both the price differential and the cost of freight, handling and other distribution costs. On November 16, 1953, the President, under the authority of Public Law 875, 81st Congress, directed the Corporation to furnish supplies of feed for use in the 1953 Emergency Feed Program under such terms and conditions and for such period of time as determined to be required by the nature and extent of the disaster. The directive specified that the feed supplies were to be furnished "without reimbursement from presently appropriated funds" and was to be effective with respect to

stocks furnished on and after June 26, 1953. Under the 1953 Emergency Feed Program which ended July 15, 1954, feed concentrates, grains and mixed feeds were furnished at less than market price to eligible farmers in designated disaster areas (795 counties in 18 States and designated areas of Hawaii) in the following quantities:

Cottonseed meal	413,456 tons
Cottonseed pellets	259,890 tons
Cottonseed cake	3,346 tons
Corn	35,141,490 bushels
Wheat	2,969,676 bushels
Oats	13,376,000 bushels

The President also indicated in his directive of November 16, 1953 that Congress would be requested to take specific action for the purpose of reimbursing the Corporation for losses representing the difference between the value of the feed furnished and the sales price received by the Corporation with the understanding that the costs incurred in handling, processing, shipping and otherwise distributing such supplies would be defrayed out of funds appropriated by Public Law 175, 83rd Congress. The cost to the Corporation of the feeds furnished is computed as follows:

<u>Item</u>	<u>Fiscal Year 1954</u>	<u>Fiscal Year 1955 (Through July 15, 1954)</u>	<u>Total</u>
Commodity cost	\$111,405,349	\$2,324,200	\$113,729,549
Receipts	70,072,512	1,557,037	71,629,549
Net cost	<u>41,332,837</u>	<u>767,163</u>	<u>42,100,000</u>

Thus, the budget request for the fiscal year 1956 of \$42,100,000 is the estimated amount required to reimburse the Commodity Credit Corporation for its costs in the fiscal year 1954, and in the fiscal year 1955 through July 15, 1954.

EXPLANATION OF NEW LANGUAGE

The estimates propose new language as follows:

To reimburse the Commodity Credit Corporation for losses representing the difference between the value of feed furnished farmers and stockmen in disaster areas and sales price received by the Corporation, \$42,100,000.

The proposed new language would provide an appropriation to reimburse the Commodity Credit Corporation for feed furnished for use in the 1953 Emergency Feed Program.

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR
TRANSFER OF WHEAT TO PAKISTAN

Purpose Statement

The Act of June 25, 1953 (Public Law 77, 83rd Congress) provided for the transfer of price support wheat to Pakistan and authorized the appropriation of funds to reimburse the Commodity Credit Corporation for its investment in the wheat including handling and other costs incurred in making deliveries. This estimate is for making such reimbursement for the 612,312 long tons of wheat delivered to Pakistan during the fiscal year 1954.

	Appropriated, <u>1955</u>	Budget Estimate, <u>1956</u>
Appropriated funds	- -	\$69,273,881

REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR
TRANSFER OF WHEAT TO PAKISTAN

Appropriation Act, 1955, and base for 1956	- -
Budget Estimate, 1956	\$69,273,881
Increase (Reimbursement to CCC for estimated costs during fiscal years 1954 and 1955)	<u>+69,273,881</u>

PROJECT STATEMENT

Project	:	1954	:(estimated)	:(estimated)
Reimbursement for wheat transferred to	:	:	:	:
Pakistan	:	- -	- -	\$69,273,881

INCREASE

Public Law 77, 83rd Congress, approved June 25, 1953, authorized the Commodity Credit Corporation to make available to the President not to exceed 1,000,000 long tons of wheat for transfer to Pakistan to alleviate famine conditions in that country. In accordance with determinations of the Foreign Operations Administration, the Corporation transferred to Pakistan 612,312 long tons of wheat. Pursuant to the authorization contained in Section 2 of the Act, this estimate will provide for reimbursement to the Corporation of \$69,273,881 for its costs including investment in the commodity, handling, delivery f.o.b. vessels in U. S. ports and estimated interest through June 30, 1955 as itemized below:

Commodity cost, 22,859,650 bushels, at average cost of \$2.95 per bushel	\$67,402,854
Interest - Fiscal Year 1954	1,196,998
Interest - Estimated for Fiscal Year 1955 through June 30	<u>674,029</u>
Appropriation estimate, 1956	<u>69,273,881</u>

EXPLANATION OF NEW LANGUAGE

The estimates propose new language as follows:

To reimburse the Commodity Credit Corporation for its investment (including costs of handling, delivery, and interest through June 30, 1955) in wheat transferred to the Government of Pakistan under the Act of June 25, 1953 (67 Stat. 80), \$69,273,881.

The proposed new language would provide an appropriation to give effect to Section 2 of the Act of June 25, 1953 (Public Law 77, 83rd Congress) which authorizes the appropriation of "such sums as are equal to the Corporation's investment in such commodities, including handling costs, plus the costs incurred in making deliveries hereunder", in order to reimburse the Commodity Credit Corporation for expenses incurred in carrying out this program.

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CONSOLIDATED WORKING FUND, DEPARTMENT OF AGRICULTURE

This Budget schedule (page 1111) reflects certain working funds advanced from various Departments or agencies of the Federal Government to the Department of Agriculture under Section 601 of the Economy Act, as amended, in payment for services rendered or supplies furnished.

Descriptions of the work performed for other departments and agencies in accordance with these working fund advances are included in the "Statement of Obligations Under Allotments and Other Funds" provided in each agency's section of the Explanatory Notes.

MISCELLANEOUS CONTRIBUTED FUNDS, DEPARTMENT OF AGRICULTURE

The total appropriations or estimates of the Department under this trust account (page 1068) are as follows:

1954	\$1,147,416
1955 (estimated).....	323,059
1956 (estimated).....	389,432

This item covers funds received or estimated to be received by the Department of Agriculture from private individuals or organizations and from State or local government organizations for carrying out certain cooperative agreements between such individuals or organizations and the Department in connection with its activities, as authorized by law, primarily the Act of May 15, 1862 (5 U.S.C. 511) establishing the Department of Agriculture (as further implemented by the Act of July 24, 1919 (5 U.S.C. 67,563)). These funds are deposited in the Treasury of the United States and made available to the Department for expenditure under applicable cooperative agreements. The amounts for 1955 and 1956 are approximate and preliminary only, since it is difficult to estimate accurately what the total receipts from these sources will be in any given year.

Following are examples of the types of agreements entered into by the Department and financed by contributed funds:

National Aluminate Corporation	For cooperative research and tests of chemical materials used to control weeds
Central and Southern Florida Flood Control District	For cooperative work on soil surveys and water control in the Everglades area.
American Spice Trade Association	For cooperative research on insect infestation in whole black pepper.

GENERAL PROVISIONS

Section 501: Relates to the purchase of passenger motor vehicles for the Department. Purchases of such vehicles by the Department of Agriculture would be limited, in addition to those specifically authorized in the language of the individual appropriation items, to not to exceed 700 passenger motor vehicles for replacement purposes only, for use outside the District of Columbia.

The estimates propose an increase from 575 to 700 in the number of replacement vehicles to be purchased for use outside the District of Columbia. The vehicles proposed to be replaced will all be at least six years old or will have mileage in excess of 60,000 miles at time of disposal. However, where vehicles are involved in accidents or where automobiles are operated over very rough terrain, it may become necessary to replace a limited number in the fiscal year 1956 which will be less than six years old or will have mileage less than 60,000 miles at time of replacement. A more detailed justification for the need for replacement of the 700 vehicles appears in these Explanatory Notes under the applicable agencies.

Section 502: Provides for certain exceptions in the Department of Agriculture to the prohibition contained in the Independent Offices Appropriation Act against the employment of aliens.

Section 503: Authorizes the expenditure of not to exceed \$1 for each option to purchase any tract or tracts of land under appropriations carried in the Act which are available for the purchase of lands.

Section 504: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects and pests.

Section 505: Prohibits, with certain exceptions, the purchase of twine manufactured from commodities or materials produced outside the United States.

Section 506: Provides that not less than \$1,875,000 of the appropriations of the Department for research and service work authorized by the Act of August 14, 1946 (Research and Marketing Act) and the Act of July 28, 1954 (Public Law 545) shall be available for contracts in accordance with said Acts. This represents an increase in the minimum amount which would be used for contract research from \$1,500,000 to \$1,875,000. In connection with the increases for research proposed in the 1956 Budget, it is planned to make maximum use of facilities of private or other public organizations in helping resolve the problems for which increases are requested. In addition, the increase in the amount reflects the use of contracts for carrying out production research as authorized by the Act of July 28, 1954.

Section 507: This section continues the restriction against the employment of persons who are members of an organization of Government employees who assert the right to strike against the Government of the United States, or who advocate, or who are members of an organization that advocates the overthrow of the Government.

Section 508: Prohibits the use of any funds provided in the Act for publicity or propaganda purposes to support or defeat legislation pending before the Congress.

Section 509: Provides that Department appropriations for research and service work authorized by the Research and Marketing Act of 1946 shall be available for expenses of advisory committees established in accordance with that Act.

